

Notice of meeting of

Audit & Governance Committee

To:	Councillors B Watson (Chair), Brooks (Vice-Chair), Firth, Hyman, Scott, Vassie and Gunnell
Date:	Tuesday, 29 June 2010
Time:	5.30 pm
Venue:	The Guildhall, York

AGENDA

Note:

As agreed at previous meetings, the Chief Internal Auditor and District Auditor (Audit Commission) will be present in the meeting room from 5:00 pm to provide a private briefing for Members, if required.

1. Declarations of Interest

At this point Members are asked to declare any personal or prejudicial interests they may have in the business on this agenda.

2. Minutes (Pages 3 - 12)

To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 26 April 2010.

3. Public Participation

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Committee's remit can do so. The deadline for registering is **5:00 pm on Monday, 28 June 2010.**

4. Audit & Governance Committee Forward Plan to February 2011 (Pages 13 - 18)

To consider the future plan of reports expected to be presented to the Committee up to February 2011.

5. Annual Scrutiny Report 2009-10 (Pages 19 - 44)

This report presents the annual scrutiny report from Scrutiny Services for the period May 2009 – May 2010.

6. Annual Report of the Head of Internal Audit (Pages 45 - 64)

This report summarises the outcome of audit and fraud work undertaken in 2009/10 and provides an opinion on the overall adequacy and effectiveness of the Council's internal control arrangements.

7. Annual Governance Statement 2009/10 (Pages 65 - 78)

This report presents for approval the 2009/10 Annual Governance Statement which forms part of the Statement of Accounts for 2009/10.

8. Statement of Accounts 2009-10 (Pages 79 - 88)

This report asks Members to examine and approve the Council's pre-audit Statement of Accounts for the 2009/10 financial year.

Note:

The above report was published with this agenda on Tuesday 22 June. Annex B to the report (the draft Statement of Accounts itself) was made available on-line only, with printed copies circulated separately to Members. After the meeting, Annex B was replaced (on line only) by the final approved version of the Statement of Accounts.

9. Risk Update - York Sports Village (YSV) Swimming Pool (Pages 89 - 92)

This report provides further information in relation to the financial risks of funding construction of the new York Sports Village Swimming Pool, as requested by the Committee at their meeting on 15 February 2010.

10. Urgent Business

Any other business which the Chair considers urgent under the Local Government Act 1972.

Democracy Officer:

Name: Fiona Young

Contact details:

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- E-mail – fiona.young@york.gov.uk

For more information about any of the following please contact the Democracy Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above.

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Holding the Executive to Account

The majority of councillors are not appointed to the Executive (38 out of 47). Any 3 non-Executive councillors can 'call-in' an item of business from a published Executive (or Executive Member Advisory Panel (EMAP)) agenda. The Executive will still discuss the 'called in' business on the published date and will set out its views for consideration by a specially convened Scrutiny Management Committee (SMC). That SMC meeting will then make its recommendations to the next scheduled Executive meeting in the following week, where a final decision on the 'called-in' business will be made.

Scrutiny Committees

The purpose of all scrutiny and ad-hoc scrutiny committees appointed by the Council is to:

- Monitor the performance and effectiveness of services;
- Review existing policies and assist in the development of new ones, as necessary; and
- Monitor best value continuous service improvement plans

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City of York Council

Committee Minutes

MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	26 APRIL 2010
PRESENT	COUNCILLORS B WATSON (CHAIR), BROOKS (VICE-CHAIR), BOWGETT, SCOTT, FIRTH (SUBSTITUTE) AND HYMAN (SUBSTITUTE)
APOLOGIES	COUNCILLORS JAMIESON-BALL, KIRK AND R WATSON

68. DECLARATIONS OF INTEREST

Members were invited to declare at this point in the meeting any personal or prejudicial interests they might have in the business on the agenda.

No interests were declared at this point. However, Cllr Scott declared a personal and prejudicial interest in that part of Annex 1 to agenda item 12 (Audit and Counter Fraud Mid-Term Monitor) relating to music tuition fees when that matter came under discussion, as his wife worked in the Council's music tuition department.

69. EXCLUSION OF PRESS AND PUBLIC

RESOLVED: That the press and public be excluded from the meeting during consideration of Annex B to agenda item 8 (Key Corporate Risk Monitor Quarter Four 2009/10), on the grounds that it contains information relating to negotiations in connection with a labour relations matter arising between the authority and employees of the authority. This information is classed as exempt under paragraph 4 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government Access to Information) (Variation) Order 2006).

70. MINUTES

RESOLVED: That the minutes of the Audit & Governance Committee meeting held on 15 February 2010 be approved and signed by the Chair as a correct record.

71. PUBLIC PARTICIPATION

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation Scheme.

72. AUDIT & GOVERNANCE COMMITTEE FORWARD PLAN TO FEBRUARY 2011

Members considered a report which presented a plan of reports expected to be brought to future meetings of the Committee up to February 2011, including any training / briefing events to support Members in their role.

It was noted that more detailed training might be required should new members be appointed to the Committee at the Annual Council in May.

RESOLVED: That the Committee's Forward Plan for the period up to December 2010 be noted.

REASON: To ensure that the Committee receives regular reports, in accordance with the functions of an effective audit committee.

73. AUDIT COMMISSION AUDIT PLAN 2010/11

Members considered a report which presented the Audit Commission's Annual Audit Plan for 2010/11 and associated fee structure. The draft Inspection Plan, covering the Comprehensive Area Assessment, was still under discussion and would be presented to the Committee in June. The Audit Manager was in attendance to respond to any questions.

The Audit Plan, attached as Annex A to the report, set out the work to be conducted by the District Auditor, who had taken account of inherent risks arising from previous audit work at the Council and the requirements of the Code of Audit Practice.

In response to Members' questions on the National Fraud Initiative, the Audit Manager explained that this was a data matching exercise that took place every 3 years, concentrating mainly on Housing Benefit fraud.

RESOLVED: (i) That the matters set out in the Audit Plan presented by the District Auditor be noted.

REASON: To ensure the effective deployment of scarce external audit resources to best effect.

(ii) That the Audit Plan be agreed as sufficiently reflecting the audit needs and interests of the Council.

REASON: To ensure that the external audit and inspection process contributes effectively to the Council's system of internal control.

74. REVIEW OF INTERNAL AUDIT

Members considered a report which introduced a report by the Audit Commission setting out their findings from a recent review of the Council's arrangements for internal audit.

The Audit Commission's report was attached as Annex 1. The review had concluded that the internal audit service provided by Veritau continued to meet its professional and statutory duties. No significant areas of concern had been identified and no recommendations for improvement made.

RESOLVED: That the contents of the report be noted.

REASON: In accordance with the committee's responsibility for overseeing the work of internal audit.

75. KEY CORPORATE RISK MONITOR QUARTER FOUR 2009/10

Members considered a report which presented details of the revised risks associated with the refreshed Key Corporate Risks (KCRs), as at the fourth quarter of 2009/10.

The position on the revised KCRs was detailed in Annex A and exempt Annex B to the report. Members were invited to consider in more detail some highly scored risks in the following areas and to request more detailed information from the relevant department, if required:

- KCR 0003 Waste Management Strategy Partnership
- KCR 0010 Emergency Planning & Business Continuity
- KCR 0014 Equal Pay
- KCR 0015 Fairness & Inclusion
- KCR 0016 Capital Programme
- KCR 0017 More for York
- KCR 0018 Impact of an Ageing Population

Following a report to Corporate Management Team (CMT) on the initial findings of the York Local Climate Impact Profile Study, CMT had suggested adding Climate Change to the KCRs. Members might wish to invite the report author to their meeting in July to provide more details on this.

In considering the information presented in the annexes, Members commented that in a number of cases it was not clear whether the information provided was up to date. They asked that future reports include the date on which each risk was last reviewed.¹

RESOLVED: (i) That the risks set out at Annex A, exempt Annex B and in paragraph 4 of the report be noted and agreed and that Officers note Members' comments thereon.¹

REASON: To provide assurance that risks to the Council are continuously reviewed and updated.

(ii) That further details on the Climate Change risk be provided to the meeting in July, as suggested in paragraph 8 of the report.²

REASON: To provide assurance that key risks are regularly monitored and reviewed.

(iii) That it be recommended that the Climate Change KCR be approved by the Executive and added to the recently refreshed KCR Register.³

REASON: To provide assurance that key risks are being appropriately managed by the organisation.

Action Required

- | | |
|---|----|
| 1. Ensure that future reports include the date on which each risk was last reviewed | DW |
| 2. Bring report on climate change risk to next meeting | DW |
| 3. Add climate change to the KCR Register (subject to Executive approval) | DW |

76. THE ROLE OF THE AUDIT & GOVERNANCE COMMITTEE IN THE SCRUTINY OF THE TREASURY MANAGEMENT STRATEGY

Members considered a report which provided an update on the new requirements for the Council to comply with the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (the Code).

The revised Code had been published in November 2009 and included 15 key changes, as listed in Annex A to the report. These included requirements for Audit & Governance Committee to ensure effective scrutiny of the treasury management statement and policies. Specific requirements for scrutiny were detailed at points (j) and (k) in the list and reporting requirements at points (h) and (i). The remaining revisions to the Code, and action taken to comply with these, were set out in paragraphs 10 to 19 of the report. It was noted that points (l) and (m), relating to the necessary skills and training of Officers, also gave Members the opportunity to access training. Members were invited to receive a training presentation to provide an overview of treasury management and how borrowing and investments were managed in the Council, and to request further training in the future if required.

Reports to be brought to the Committee in its scrutiny role had been detailed in the Treasury Management Strategy report approved by Full Council in February 2010. The comprised the annual Treasury Management Strategy, quarterly monitoring reports on treasury management performance and the annual out-turn report.

RESOLVED: (i) That the requirements of the revised 2009 CIPFA Treasury Management in the Public Services Code of Practice, approved at Full Council on 26 February 2010, be noted.

(ii) That the monitoring reports be received on a regular basis and that this Committee's ultimate responsibility for the treasury function be acknowledged and the implications of treasury management policies and activities be full appreciated.

(iii) That Members' requirement for a training presentation by Officers to provide an overview of treasury management, as detailed in paragraph 18 of the report, be confirmed.¹

REASON: To update those responsible for scrutiny and governance arrangements on a regular basis, so as to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

Action Required

1. Arrange training presentation for Members on treasury management PS

77. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) UPDATE

Members considered a report which provided the third update on progress towards implementing the statutory required changes in financial reporting from UK General Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS).

The change to IFRS would be fully implemented in the 2010/11 Statement of Accounts. The report set out progress made in those significant areas for change detailed as priorities in the previous update report to the Committee in December 2009, namely; Private Finance Initiatives, Group Accounts, Leases, Assets & Investment Properties and Employee Benefits. A more detailed report setting out other aspects of change would be brought to the meeting in July.

It was noted that collaborative working with all departments across the authority was proving positive in assisting progress towards attaining the changes required by IFRS.

RESOLVED: That the progress contained in the report be noted and that the continuing work being undertaken for a smooth transition to IFRS be recognised.

REASON: So that those responsible for governance arrangements are updated on a regular basis to ensure that the implementation

of IFRS is proceeding in a timely manner for completion on 30 June 2011.

78. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT 2009/10

Members considered a report which informed them of the process and outcomes of the 2009/10 review of the effectiveness of the Council's system of internal audit, as part of the review of the overall system of internal control required for the draft Annual Governance Statement.

The review had been undertaken jointly with North Yorkshire County Council (NYCC) by the Shared Service Contract Board (SSCB), in consultation with the Audit Committee Chairs of both councils, in accordance with the procedures agreed by the Committee in December 2009.

Work carried out as part of the review was detailed in paragraphs 15 to 22 of the report. Based upon the results, the Council's system of internal audit was considered to be operating in accordance with accepted professional best practice and remained effective.

In response to questions from Members on the main areas for development in 2010/11 (paragraph 19), Officers confirmed that:

- Joint working with NYCC meant there was more scope for the regular rotating of staff
- Cost and quality benchmarking would have been less meaningful if undertaken in the previous year as it would have involved comparing an external service with in-house provision instead.

RESOLVED: That the results of the review of the effectiveness of the Council's system of internal audit be noted.

REASON: To confirm that Members have considered the adequacy and effectiveness of the Council's control environment.

79. AUDIT AND COUNTER FRAUD MID-TERM MONITOR

Members considered a report which provided details of the progress made in delivering the Council's internal audit and counter fraud work plan for 2009/10, approved by the Committee on 29 June 2009.

Two of the priorities for the shared audit service, Veritau Ltd., were to deliver at least 90% of the audit plan and to ensure that the service continued to operate to recognised professional standards. By 23 March 2010 80% of the plan had been completed, and based on the current work programme it was anticipated that the 90% target would be achieved. Details of audits completed and reports issued were attached at Annex 1 to the report. Details of variations made to the plan to accommodate a shortfall in resources and changes in priorities were attached at Annex 2.

Information on the counter fraud work undertaken and investigations completed was provided in Annex 3 to the report. Additional work in 2009/10 had included a fraud awareness survey of council managers and supervisors and a project to investigate housing tenancy related fraud. Breaches of financial regulations identified since the last report, in December 2009, were set out in Annex 4.

In response to Members' questions on the detail of the completed audits in Annex 1, Officers confirmed that:

- Further control measures may be needed in individual directorates in respect of backlogs of creditor payments
- Control issues in respect of income arrangements (including music tuition fees) had been identified by a Council-wide review of fees and charges and would be addressed by centralising these arrangements.

RESOLVED: That the results of the audit and fraud work undertaken to date in 2009/10 be noted.

REASON: To confirm that Members have considered the implications of audit and fraud findings.

Note: Cllr Scott left the room during the discussion on music tuition fees in respect of this item, having declared a prejudicial interest as recorded under Minute 68.

80. FOLLOW UP OF INTERNAL AUDIT RECOMMENDATIONS

Members considered a report which set out the progress made by directorates in implementing those agreed audit recommendations due for implementation by 1 March 2010.

A total of 86 recommendations had been followed up by Veritau Ltd. since the last progress report, in December 2009. Of these, 12 (14%) had been superseded and 63 (73%) had been satisfactorily implemented. In 11 cases (13%) the agreed recommendations had not been implemented by the due date. However, satisfactory explanations for the delay had been received from departments in all these cases and revised implementation deadlines had been agreed. In general, good progress had been made to rectify control weaknesses identified in audit reports.

With reference to information requested by Members in December, it was reported that the Sure Start grant claim was on track to meet the submission deadline. Results of follow up work on the Audit Commission's recommendations in relation to financial planning would be reported to the Committee in September, together with progress on recommendations relating to Grant Claims Certification and Asset Management.

Members requested that future reports include more detail in respect of any high priority recommendations which had not been implemented by the due date.¹

RESOLVED: That the progress made in implementing the audit recommendations, as set out in the report, be noted.

REASON: To enable Members to fulfil their role in providing independent assurance on the Council's control environment.

Action Required

1. Ensure that future reports include more detail on high priority recommendations not implemented by the due date RS

81. DRAFT ANNUAL GOVERNANCE STATEMENT 2009/10

Members considered a report which invited them to comment on the draft 2009/10 Annual Governance Statement (AGS), the final version of which would be presented to the Committee's next meeting, on 29 June 2010.

The draft AGS was attached as Annex A to the report. Sources of evidence reviewed by the Officer Governance Group (OGG) in compiling the draft were listed in paragraph 6. Further information to be considered in preparing the final version was set out in paragraph 7. The draft included six new significant control issues and three areas of ongoing work from the 2008/09 AGS. Once approved and signed, it would be published as part of the 2009/10 Statement of Accounts. To avoid duplication, actions from the AGS would be monitored by the Executive as part of the Corporate Strategy and by the Director of Customer & Business Support Services and the Officer Governance Group.

Members commented that the sections in the draft AGS headed 'Political and Managerial Structures and Processes' should include references to the removal of the Shadow Executive from the Constitution and the role played by Audit & Governance Committee in approving changes to the Constitution.¹

RESOLVED: (i) That the content of the draft AGS 2009/10, particularly the significant control issues identified to inform the final statement to be presented to the Committee on 29 June 2010, be noted.

(ii) That Officers note Members' comments on the draft AGS.¹

(iii) That the monitoring arrangements for the overall AGS action plan items be noted.

REASON: To confirm that Members have had the opportunity to consider the effectiveness of the Council's governance framework and the proposed monitoring arrangements.

Action Required

1. Take into account Members' comments when preparing the final AGS PS

82. INTERNAL AUDIT & COUNTER FRAUD PLAN 2010/11

Members considered a report which sought their approval for a planned programme of audit and fraud work to be undertaken in 2010/11.

The plan had been prepared on the basis of the approved audit strategy and a risk assessment process designed to ensure that limited audit resources were properly prioritised. The majority of resources were required to review high priority and mandatory areas, with less emphasis than in previous years on other service based work. The format of the plan had been amended to reflect this. Further changes included amalgamation of the audit and counter fraud plans and the inclusion of information governance services, to show all the governance related services provided by Veritau in one place.

RESOLVED: That the 2010/121 internal audit and counter fraud plan be approved.¹

REASON: In accordance with the committee's responsibility for overseeing the work of internal audit.

Action Required

1. Take action to implement the approved plan

MT

83. REVIEW OF OVERVIEW & SCRUTINY WORK 2009/10

Members considered a report which provided information on work and outcomes of the Council's scrutiny committees during 2009/10 which might have an impact on the Committee's opinion of the Council's internal control framework.

A summary of scrutiny activity was attached at Annex A to the report. At their meeting on 15 February 2010, Members had agreed to receive a six-monthly or annual summary of scrutiny reports and outcomes. Following discussion with Scrutiny Officers, it was now proposed to bring an annual report to the Committee each June, in order to inform discussion on the draft Annual Governance Statement, and to present an interim progress report each December.

In response to questions from Members, Officers confirmed that the implementation of recommendations arising from the Planning Enforcement Scrutiny review would be monitored through the Economic Development Overview and Scrutiny Committee.

RESOLVED: (i) That the content of the report be noted.

(ii) That the revised timetable for receiving summary reports on the work of overview and scrutiny committees be agreed.¹

REASON: To improve Members' awareness of activity and outcomes of the work of other committees where it could influence the work and opinion of the Audit & Governance Committee.

Action Required

1. Include these reports on the Committee's forward plan PS

84. PROTECTING THE PUBLIC PURSE - SELF ASSESSMENT CHECKLIST

Members considered a report which presented the results of a self-assessment of the Council's counter fraud arrangements following the publication of the Audit Commission's national report, '*Protecting the Public Purse – local government fighting fraud*', in September 2009.

The Audit Commission's report examined the key fraud risks and pressures facing councils, outlined actions that should be taken to minimise risk and improve detection and included a self-assessment checklist to help councils assess their arrangements against good practice. Details had been reported to the Committee in February, when Members had requested that the checklist be completed and the results reported back to the current meeting. Results of the completed self-assessment were attached as Annex 1 to the report.

In response to Members' queries on aspects of the report, Officers explained that the main area of risk related to benefit fraud. So far there had been no significant increase in fraud as a result of the recession.

RESOLVED: That the results of the completed self assessment, and the actions being taken to further improve the Council's counter fraud arrangements, be noted.

REASON: To ensure that the Council maintains effective counter fraud arrangements and complies with relevant best practice to minimise risk.

B Watson, Chair

[The meeting started at 5.30 pm and finished at 6.55 pm].



Audit and Governance Committee

29 June 2010

Report of the Director of Customer & Business Support Services

Audit & Governance Committee Forward Plan to February 2011

Summary

1. This paper presents the future plan of reports expected to be presented to the Committee to February 2011.

Background

2. There are to be six fixed meetings of the Committee in a municipal year. To assist members in their work, attached as an Annex is the indicative rolling Forward Plan for the remaining meetings to February 2011. This may be subject to change depending on key internal control and governance developments at the time. A rolling Forward Plan of the Committee will be reported at every meeting reflecting any known changes.
3. An update report on CAA was expected at the July 2010 meeting from the Audit Commission's CAA Lead, however CAA activity has been suspended by the new Government, this item has been deleted.

Consultation

4. The Forward Plan is subject to discussion by members at each meeting, has been discussed with the Chair of the Committee and key corporate officers.

Options

5. Not relevant for the purpose of the report.

Analysis

6. Not relevant for the purpose of the report.

Corporate Priorities

7. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

Implications

8.
 - (a) **Financial** - There are no implications
 - (b) **Human Resources (HR)** - There are no implications
 - (c) **Equalities** - There are no implications
 - (d) **Legal** - There are no implications
 - (e) **Crime and Disorder** - There are no implications
 - (f) **Information Technology (IT)** - There are no implications
 - (g) **Property** - There are no implications

Risk Management

9. By not complying with the requirements of this report, the council will fail to have in place adequate scrutiny of its internal control environment and governance arrangements, and it will also fail to properly comply with legislative and best practice requirements.

Recommendations

10.
 - (a) The Committee's Forward Plan for the period up to February 2011 be noted.

Reason

To ensure the Committee receives regular reports in accordance with the functions of an effective audit committee.

- (b) Members identify any further items they wish to add to the Forward Plan.

Reason

To ensure the Committee can seek assurances on any aspect of the council's internal control environment in accordance with its roles and responsibilities.

Contact Details

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Chief Officer Responsible for the report:

Ian Floyd
Director of Resources
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Report Approved



Date 10.6.10

Specialist Implications Officers

Head of Civic, Democratic & Legal Services

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annexes

Audit & Governance Committee Forward Plan to February 2011

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Audit & Governance Committee Draft Forward Plan to February 2011

Training/briefing events will be held at appropriate points in the year to support members in their role on the Committee.

- **Committee 28 July 2010**

Risk Management Quarterly Monitoring Report

IFRS Update

Treasury Management Annual Report

Audit Commission national reports summary

Update on Petitions

Audit Commission reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)

- **Committee 29 September 2010**

Annual Governance Report

Annual Report of the Audit & Governance Committee

Risk Management Quarterly Monitoring Report

Treasury Management Qtr 1 Monitor

Follow-up of Internal and External Audit Recommendations

Internal Audit & Fraud Plan Progress Report

2010 NFI Exercise

Audit Commission national reports (if any)

Audit Commission reports as per agreed Audit & Inspection plan

Changes to the Constitution

- New Executive Arrangements

- **Committee December 2010**

Annual Audit Letter – Audit Commission (if published)

Data Quality Progress Report

IFRS Update

Key Risk Update

Treasury Management Qtr 2 Monitor (and half-year update)

Internal Audit & Fraud Plan Progress Report

Audit Commission national reports summary

Audit Commission reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)

- **February 2011**

Update of Counter Fraud Policies

Internal Audit Plan Consultation

Audit & Fraud Risk Assessment

Risk Management Quarterly Report

Treasury Management Qtr 3 Monitor

Treasury Management Strategy

Audit Commission reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)



Audit & Governance Committee**29 June 2010**

Report of the Head of Civic, Democratic & Legal Services

Annual Scrutiny Report 2009-10**Summary**

1. This report presents the annual scrutiny report from Scrutiny Services for the period May 2009 – May 2010.

Background

2. This committee is charged with monitoring overall performance in relation to scrutiny review work and providing an annual report to Full Council. The last annual report was produced in early 2009, and was followed by a number of significant changes to the scrutiny function in York. The most significant change being the formation of a number of cross-cutting overview and scrutiny committees based on the themes of the council's corporate strategy.
3. This annual report is the first to provide public information on the work of these new committees.

Consultation

4. The Chair of Scrutiny Management Committee from the last municipal year have been asked to provide an introduction to the annual report and the Chairs of the new committees have been asked to contribute to the individual committees pages within the report – shown at Annex A.
5. At its meeting on 29 June 2010, the Audit & Governance Committee is being invited to consider this Annual Scrutiny Report to comment on the overall effectiveness of our overview & scrutiny programme.

Options

6. Having considered the Annual Report, Members may choose to:
 - approve the report for presentation to the meeting of Full Council in July 2010
 - agree any amendments required to the report prior to its presentation to Full Council

Analysis

7. The report provides readers with an understanding of the revised overview and scrutiny function in York, how to get involved in the scrutiny process and what to

expect from overview & scrutiny in the next twelve months. It also explains how each of the scrutiny reviews completed during the last municipal year, supported the council's Corporate Strategy.

Corporate Priorities

8. The production of an annual Scrutiny Report supports the following direction statement of the Council - 'We will promote cohesive and inclusive communities'. Within the report, there is information on how each of the completed reviews supported the council's improvement priorities and direction statements.

Implications

9. There are no known Legal, HR and financial implications associated with the recommendation within this report, other than the costs of producing and publishing the Annual Scrutiny Report, which will be met from within the existing scrutiny budget.

Risk Management

10. There are no known risks associated with the recommendation in this report.

Recommendations

11. Having considered the information within this covering report and Annex A, Members are asked to approve the Annual Scrutiny Report which covers the period between May 2009 and May 2010

Reason: To enable its presentation to Full Council, in line with Constitutional requirements

Contact Details

Author:

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Andrew Docherty
Head of Civic, Democratic & Legal Services

Report Approved



Date

16 June 2010

Specialist Implications Officer(s) - None

Wards Affected:

All



For further information please contact the author of the report

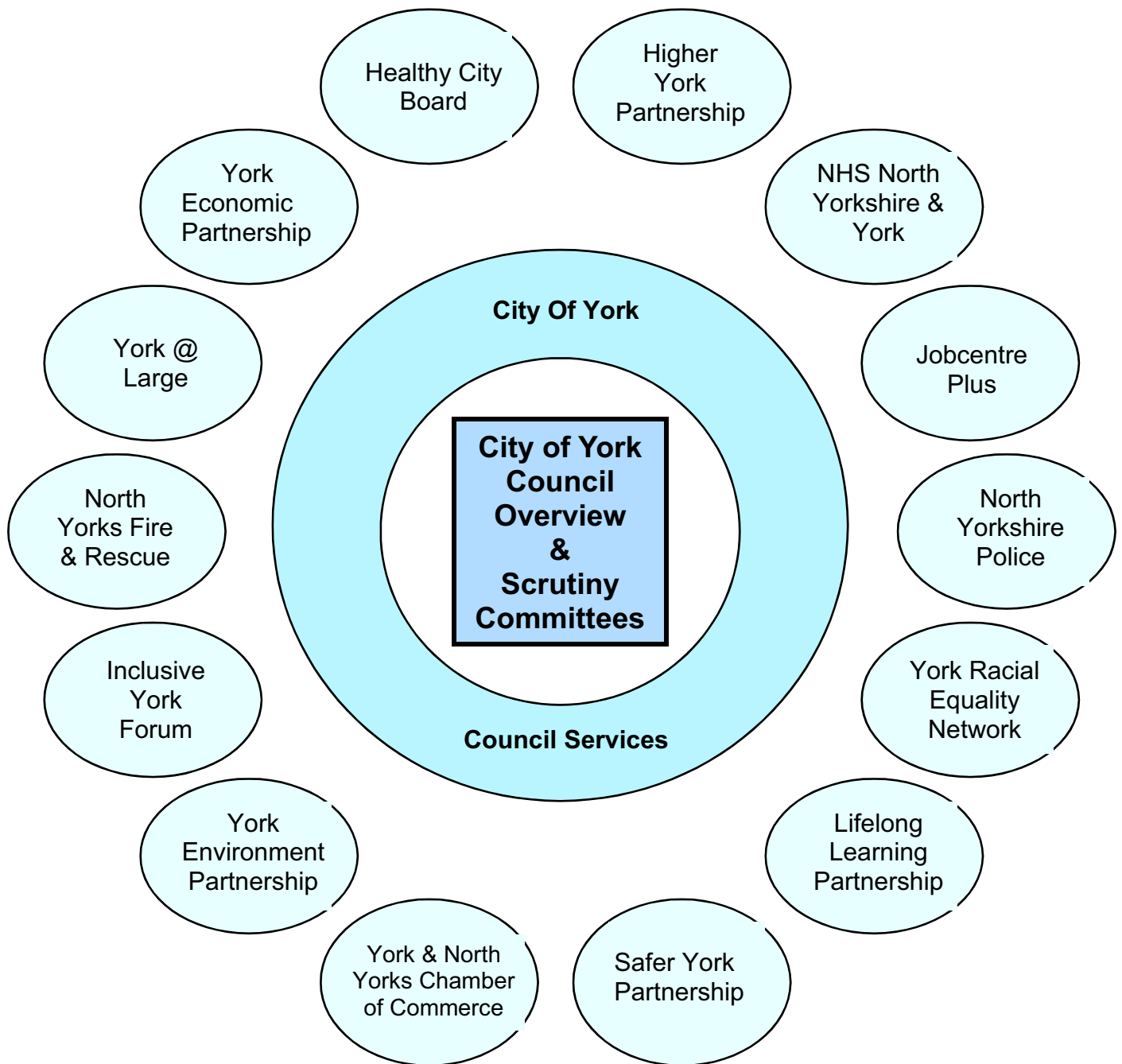
Background Papers: None

Annexes:

Annex A – Annual Scrutiny Report 2009 –10

Scrutiny Annual Report 2009-10

Scrutinising the work of the Council & its Partners



Overview & Scrutiny Annual Report 2009-10

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Introduction



Awaiting Intro info

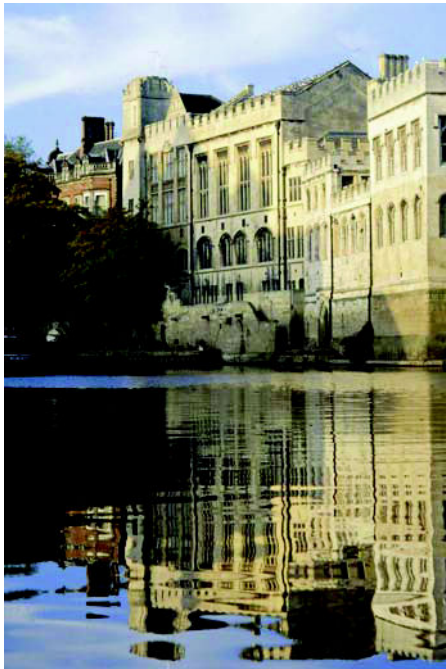
Cllr Paul Healey

The Role of Overview & Scrutiny

What is Overview & Scrutiny?

Overview & Scrutiny plays a central role in ensuring that Councils have open and accountable democratic arrangements in place.

The Local Government Act 2000 set out to modernise local government by ending the traditional committee system and replacing it with a system where decisions are taken by a small group of councillors known as Executive Members - similar to the Cabinet in central government.



Councillors who are not members of the Executive are known as non-executive members. They act as 'watchdogs' by examining Executive decisions and the policies and performance of the Council. They look at where they think things could be improved for residents and make recommendations to the Executive - this function is called 'Overview and Scrutiny'.

Overview & Scrutiny is designed to be non-party political - all Overview & Scrutiny Committees must be politically balanced and chaired by a member of one of the opposition parties.

Overview & Scrutiny Committees in York Scrutiny Management Committee

The Scrutiny Management Committee (SMC) is responsible for managing and co-ordinating the overview & scrutiny function. It meets periodically throughout the year to:

- consider proposals for corporate priorities
- receive bi-annual reports from the Scrutiny Committees on progress against their workplans
- consider and comment on any final reports arising from completed reviews produced by the Scrutiny Committees, prior to their submission to the Executive
- advise the Executive on the development of the Sustainable Corporate Strategy and monitor its overall delivery
- provide an annual report to the Council on the work of the overview and scrutiny function
- periodically review the overview and scrutiny procedures to ensure that the function is operating effectively and recommend any constitutional changes, to Council
- Consider and recommend to Council a budget for Scrutiny and then monitor the allocated budget on a regular basis
- Allocate responsibility for issues which fall between more than one of the Overview & Scrutiny Committees
- consider any pre or post Executive or Executive Member decisions, or key decisions delegated to an officer that are 'called-in'

Call-in

Any three councillors can 'call-in' an Executive Member/ Executive decision or officer 'key' decision either pre- decision or post-decision (no later than 10 am on the day before the decision or up to two working days after the publication of the decision).

Once submitted, a meeting of the Scrutiny Management Committee will be held to consider the call-in—not later than two days after the decision has been taken.

Overview & Scrutiny Committees

In addition, there are five Overview & Scrutiny Committees with remits designed around the 'Local Area Agreement' themes:

- Effective Organisation
- Economic & City Development
- Learning & Culture
- Community Safety
- Health



Each committee is supported by a Scrutiny Officer and receives technical advice from senior officers within Council Directorates.

In carrying out their individual remit, each Overview & Scrutiny Committee must ensure their work promotes inclusiveness and sustainability, and the priorities identified in the Council's Corporate Strategy.

Ways of Working

At the beginning of every municipal year, each Overview & Scrutiny Committee agrees an annual work programme, and throughout the year, they monitor finance and performance within the service areas specific to their individual remits, and carry out scrutiny reviews on agreed topics.

Formal meetings and reports are an important part of the Overview & Scrutiny function, but where appropriate the Overview and Scrutiny Committees will often adopt less formal methods e.g.:

- Carry out site visits
- Attend/observe other group's meetings e.g. Nuisance Action Group, Federation of Tenants and Residents Associations

- Hold informal discussions with residents and/or officers e.g. 2 councillors visiting a resident, or meeting with an officer
- Create a 'Task Group' from its members to discuss a particular issue and report back to the full Overview & Scrutiny Committee
- Hold open 'drop in' sessions
- Invite external witnesses to inform and widen the perspective
- Invite experts to give presentations / host seminars

Each committee can choose to 'co-opt' extra members if they have particular expertise (either on a permanent basis or for the duration of a specific scrutiny review), except in the case of the Learning & Culture Overview & Scrutiny Committee, for which it is statutory to have co-optees representing parents and religious groups.

For each scrutiny review undertaken, the relevant Overview & Scrutiny Committee monitors the implementation of the recommendations approved by the Executive, until such time as they are fully implemented.



Getting Involved

Possible topics for scrutiny review can be submitted by members of the public or by a Councillor.

Topics

It is important to recognise what kind of topics are appropriate for Overview & Scrutiny.

A number of factors need to be considered before a Committee makes their decision to carry out a review. These might include:

- How the issue was brought to the attention of Overview & Scrutiny e.g. through Members surgeries or other constituency activities, an unresolved 'Councillor Call for Action' (CCfA), through external audit or an Inspectorate Report e.g. 'Best Value', or by a member of the public who has been unable to resolve an issue by other means e.g. the complaints procedure
- The importance of the issue to the people of York e.g. public interest highlighted in local media or a high level of public/user dissatisfaction with a service
- The potential benefits of carrying out the review
- The urgency of the topic (see below), and whether it:
 - a) highlights a pattern of budgetary over / under spending
 - b) supports a CYC corporate priority
 - c) provides policy development opportunities

Urgency

A topic is considered urgent if there is a strict time constraint i.e. an event about to occur or presently occurring, or if it is of high visibility, such as an issue that has strong media interest or public pressures to respond.

Submitting a Topic

In order to submit a topic, a topic registration form must be completed, either on-line or by completing a paper copy. To request a form, please contact Scrutiny Services on Tel No. 01904 551088.

The registration form is designed to help the person proposing the topic to develop a clear and concise description of the topic, give their view on its importance, and provide all the relevant background information needed - the more detailed the information provided, the easier it will be for the relevant Overview & Scrutiny Committee to decide to carry out a review and agree a purposeful remit outlining the objectives and scope for the review.

Once received, a feasibility report will be produced, summarising the topic, explaining how it fits with the following eligibility criteria:

- i. Public Interest (ie. in terms of both proposals being in the public interest and resident perceptions)
- ii. Under Performance / Service Dissatisfaction
- iii. In keeping with the priorities within the **Corporate Strategy**
- iv. Level of Risk
- v. Service Efficiency



As a general rule, topics will only proceed to review if they meet three of the eligibility criteria. However, where it is adequately demonstrated that a topic is of significant public interest and fits with the first criteria but does not meet three, the relevant Overview & Scrutiny Committee may still decide to allocate the topic for review.

“ I attended Monday night’s meeting expecti surprised at the thought and consideration 1 analytical response”

critical of the proposals, but was pleasantly gave to the matter, and by the measured and *Participant in Traffic Congestion Review*

If the topic doesn’t fit easily into the scope of a single committee, the topic registration form will be considered by the Scrutiny Management Committee (SMC) who will decide which Committee should receive and consider it.

Carrying out a Review

An Overview & Scrutiny Committee may choose to carry out the review as a whole or create a ‘Task Group’ from within their membership, to carry out the review on their behalf.

Alternatively a Task Group can be formed to examine specific aspects of a review and report back its findings to the Committee.

A Committee may also appoint non-voting co-optees for the duration of a review. Such co-optees will be chosen for their relevant professional knowledge and expertise, or to ensure that the views of local residents or interested parties are represented.

Public Participation

City of York Council has adopted a public participation scheme which encourages residents to attend its meetings and participate.

Residents are welcome to come along and observe any public meeting and may choose to contribute to the debate and express their views by registering to speak.

To register to speak at a meeting, contact Democratic Services on 01904 551088 by 5pm on the (working) day before the meeting.

Consultation

A committee may choose to carry out a consultation exercise to gather relevant views from interested parties.

They may also ask any relevant external consultants / witnesses to attend to address them on any matter under consideration .

Attending a Scrutiny Committee meeting as a witness is voluntary and often a new experience for people. The City of York Council recognises the need to support witnesses and will keep witnesses informed throughout the scrutiny process to try and ensure that the experience is as stress free as possible. With this in mind, the Council has in place a ‘Witness Charter’.

Witness Charter

The Council will:

- 1 inform the witness of the time, date and place of the scrutiny meeting at which their evidence is to be taken.
- 2 inform the witnesses of the matters about which the scrutiny committee wish to ask them. Inform the witnesses of any documents that the scrutiny committee wish to have produced for them.
- 3 provide reasonable notice of all of the requirements of the scrutiny committee to enable the witness to respond in full at the earliest opportunity.
- 4 provide copies of all relevant reports, papers and background information.
- 5 arrange for the Chair of the scrutiny meeting to introduce him/herself to the witness prior to the proceedings.
- 6 ensure that all witnesses are treated with courtesy and respect and that all questions to witnesses are made in an orderly manner as directed by the Chair of the meeting.
- 7 ensure where appropriate that the witness is provided with information about claiming witness expenses.
- 8 following the proceedings, write to the witness and where appropriate, inform them of the outcome.
- 9 the Council’s protocol on Officer/Member relations will apply to all internal witnesses.

Effective Organisation Overview & Scrutiny Committee

Introduction

This new scrutiny committee was formed as part of the process to replace the executive members' advisory panels. The committee members quickly adapted to their new role and worked well together to help promote improved organisation within the Council. Only a few topics were covered in depth during this first year, which was a deliberate aim in order to ensure that 'less was more'.

Cllr Watt, Chair

Committee's Remit

The Effective Organisation Overview and Scrutiny Committee was set up to promote a culture of continuous improvement across all Council service areas. It monitors efficiency across organisational/service boundaries to promote a seamless approach to service delivery.

Annual Work Programme

Throughout the year, the Committee received quarterly finance and performance monitoring reports, identifying issues specific to their remit for closer inspection, and resulting in a number of key reports relating to:

- CYC's Improvement Plan for 2009/10
- Risk Management
- Annual Audit for 2008/09
- CYC's 2010/11 Budget Strategy & Medium Term Financial Planning for 2011/12 to 2013/14

During the year, the Committee were pleased to meet with the Executive Leader and the Executive Member for Corporate Services, and received training on Local Government Finance to enable their effective scrutiny of financial management within the council. They also carried out a number of scrutiny reviews.

The Effectiveness of the Executive Forward Plan Review

For some time, Councillors had been expressing concern about their inability to identify suitable topics for pre-decision scrutiny in order to help shape future council policy and practice.

Members decided to review the use of the Executive Forward Plan and as a result, identified a number of legal requirements that needed addressing and a number of format changes that would make the plan



more accessible and user-friendly to the organisation and the public.

Finally, the Committee recognised there was a general lack of awareness of and support for scrutiny across the organisation, and identified that an effective support system was required in order to raise its profile. As a result, they therefore recommended improvements to the level of appropriate engagement between overview & scrutiny committees, Executive Members and the council's corporate management team.

"It's been a great opportunity to experience Council business and get my teeth into some projects. I fully expect to be able to apply the learning from the scheme in every job I subsequently have"

City of York Council Graduate Trainee

Councillor Watt
Chair of the Effective Organisation
Overview and Scrutiny Committee

Committee Members

Councillors Watt (Chair), Horton (Vice-Chair), Boyce, D'Agorne, Firth, Gunnell, Hyman, R Watson



CYC Apprenticeships & Other Work Based Learning Opportunities Review

The Committee recognised the demographic of the council's workforce was not representative of the community of York, with only around 337 employees under the age of 25. With that in mind, they looked at the arrangements currently in place within CYC for offering work experience and apprenticeships to young people, and the external funding opportunities that could be accessed to increase their numbers.

As part of the review, the Committee considered the draft of a Corporate Workforce Plan for 2010-12, and were pleased to find the plan included a diversity objective 'to help build an inclusive culture in which all are treated with dignity and respect', together with supporting actions to :

- increase the number of young people under 25 years old working for the council:
- increase the number of apprenticeships offered to young people,
- to develop a programme of short internships for local young people who are Not in Education, Employment or Training (NEET).



Key Outcomes

- The council's Executive Forward Plan now reflects the full requirements of the legislation
- The profile of scrutiny across the council has been raised and each scrutiny committee now receives dedicated senior officer support
- The Council now has an effective workforce plan, which recognises the need to increase the number of young people being employed by the Council, and will ensure the right staff with the right skills are employed in the right places to deliver the right services to customers
- A reporting structure to measure the effectiveness and outturn of apprenticeships and other work based training is now in place.

The reviews completed by this committee in 2009-10, have supported the council's Corporate Strategy in a number of ways by aiming to:

- improve the Council's organisational effectiveness i.e. 'to be a modern council with high standards in all it does, living up to its values and being a great place to work and;
- Ensure employment rates remain high and that local people benefit from new job opportunities

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Chair's Conclusion

With the Committee now firmly established and experienced in the role of scrutiny, it will move forward in this period of economic difficulties with increasing effectiveness to ensure that the City of York Council's organisation meets the expectations of York's citizens.

Cllr Watt

Health Overview & Scrutiny Committee

Introduction

Awaiting info

Cllr Alexander, Chair

Remit

The Health Overview and Scrutiny Committee is undertakes all of the Council's statutory functions under section 7 of the Health and Social Care Act 2001, and section 244 of the National Health Service Act 2006. These include:

- appointing members, from within the membership of the Committee, to any joint overview & scrutiny Committees with other local authorities, as directed under the National Health Service Act 2006.
- reviewing & scrutinising the impact of the services and policies of key partners, on the health of the city's population
- reviewing the arrangements made by the Council and local NHS bodies for public health within the city.

As well as reviewing and developing relevant Council policies, it reports and makes recommendations to the local NHS body or other local providers of services

It can also report to the Secretary of State for Health;

- a. Where the Committee is concerned that consultation on substantial variation or development of service has been inadequate
- b. Where the Committee considers that the proposals are not in the interests of the health service

Annual Work Programme

Throughout the year, the Committee received quarterly City of York Council finance and performance monitoring reports, covering:

Adult Social Services i.e.

- Adults (older people, people with physical disabilities & sensory impairments)
- Adults' mental health
- Adults' learning disability



During the year the, Committee were pleased to receive a presentation from the Executive Member for Housing & Adult Social Services on safeguarding, personalisation and the outcomes of, and progress in relation to, the CSCI (Commission for Social Care Inspection) 2008 report., and to learn about his forthcoming priorities.

The Committee also received the following reports on :

- Relevant Key Performance Indicators to this Committee's remit
- Updates on the implementation of the recommendations arising from the dementia review
- The Care Quality Commission's new arrangements for registration
- Updates on dental services in York



Committee Members

Members: Councillors Alexander (Chair), Wiseman (Vice-Chair), Aspden, Fraser, S Galloway, Simpson-Laing, Sunderland

- an Executive referral on overspends in Adult Social Services. After considering detailed information on this, the Committee decided a full scrutiny review was not required.

Finally, they received presentations from NHS North Yorkshire and York on 'Transforming Community Services', the Individual Funding Request Panel and 'A Child's First 6 Months: their expected health input both now & in the future'.



Childhood Obesity Review

In July 2009, a report on the Corporate Strategy Key Performance Indicators relevant to the Committee's remit, raised concern about the levels of obesity among primary school age children in Reception Year, and among primary school age children in Year 6. As a result, the Committee agreed to undertake a review to look at whether current service provision was effectively reducing childhood obesity in the city.



This review is still ongoing and is likely to be completed early in the 2010/2011 municipal year.

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The Obesity Scrutiny Review supports the council's Corporate Strategy by aiming to encourage people to make healthier choices and ensuring that health and social care services are quick to respond to those that need them.

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Other Issues Considered

The Committee also received information on a proposed scrutiny topic regarding the care of new mothers and their newborn children. They deferred the decision on whether to proceed with this topic until 2010/11.

The Committee also continued its work on understanding its relationship with Local Involvement Networks (LINKs)

LINKs are the independent, formally constituted bodies that have replaced the Patient and Public Involvement Forums, previously attached to all local NHS Trusts. They have been established within each local authority area in the country.

It received a number of update reports which outlined the steps and measures needed, and the progress made to ensure that LINKs establishes an effective working relationship with the Council via this Committee.

Conclusion

Awaiting Info.....

The key outcomes arising from the Childhood Obesity Review are expected in early 2010/11

Learning and Culture Overview & Scrutiny Committee

Introduction

It was a privilege but a challenge to take on the role of Chair of a brand new Scrutiny Committee - namely the Learning and Culture Scrutiny committee. To get our heads round the brief we had several introductory sessions with both officers and Executive members to try and assess the nature and width of our brief. The Committee recognised it was an important part of our work to talk to the Executive members, the Chair of York at Large and other partners.

CIlr Looker, Chair

Remit

The Learning and Culture Overview and Scrutiny Committee monitors the performance, achievements and developments of the service plan areas shown below:

- Early Years
- Schools & Communities
- Education Development Services
- School Governance Service
- Special Educational Needs
- Young People's Service
- Libraries & Heritage Services
- Parks & Open Spaces
- Sports & Active Leisure
- Arts & Cultural Services
- Adult Education, Access Education Planning & Resources



And, it identifies aspects of the Council's operation relating to delivery of the above services in need of review.

Externally, the Committee scrutinises the services provided to York's residents by other service providers, as appropriate.

Annual Work Programme

Throughout the year, the Committee received quarterly finance and performance monitoring reports specific to their remit, and following a referral from the Executive, they considered detailed information on an overspend on 'Looked After' children.

They also received bi-annual reports from York Theatre Royal and the Yorkshire Museums Trust Partnership giving performance updates for 2009/10, together with a number of key reports relating to:

- The Renaissance Team
- York's Play Policy 'Taking Play Forward' & the Playbuilder Initiative
- A Draft Heritage Strategy
- The Refurbishment of the Main Library



In addition, the Committee were pleased to meet with the Executive Members for Children & Young People's Services and Leisure, Culture & Social Inclusion, and the Chairs of Learning City and York@Large.

Committee Members

Councillors Looker (Chair), Brooks (Vice-Chair), Aspden, Crisp, Douglas, Hogg, Taylor, Waudby



The Committee also monitored the implementation of recommendations arising from a previously completed scrutiny review on a proposed Cultural Quarter for the City, and carried out a review of ‘Casual Play Opportunities’

Casual Play Opportunities Review



For a number of years there has been a growing focus on the importance of children being able to play. The Committee were therefore keen to look at casual play opportunities across the city to assess if there was any potential for improvements .

The review focussed on comparing the play opportunities for 5-13 year olds, within a number of residential areas; one city centre, one suburban and one village.

As part of the review, the Committee carried out site visits to consult with local parents and were pleased to meet with representatives of York Playspace.



The findings showed that despite the type of residential area, the perceived barriers to play were the same – traffic, stranger danger, parents anxiety, space and quality of facilities.

It was recognised that in some areas of the city there was zero tolerance towards children playing in open spaces near homes, and that a more positive attitude towards play was needed within communities.

Key Outcomes

A pilot scheme involving all relevant parties i.e. Play, Police, Housing, Parks & Open Spaces, Transport, Planning and the voluntary sector, was recommended to :

- trial ways of making a residential neighbourhood more child-friendly offering access to somewhere to play in freedom and safety and;
- identify a suitable strategy for the provision of casual play opportunities,

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The Casual Play Review supported the council's Corporate Strategy by aiming to make York a safer city, providing opportunities for children to develop their skills and for communities to grow and thrive.

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Conclusion

I am looking forward to continuing the work of the Learning and Culture Scrutiny committee, with such a lot of change coming forward from a new government as well as the Council's own reorganisation it will be an opportunity for members to focus on how best to ensure real value for our York citizens - especially the children and young people in our communities - and work hard to ensure that we get the most out of our resources and our partnerships.

Cllr Looker

Traffic Congestion Ad-hoc Scrutiny Committee

Introduction

It was always going to be a challenge taking on a review of this size and nature, but the Committee acknowledged the continuing priority that York residents place on tackling congestion and so worked hard to understand the potential future problems, what may or may not work, the scale of benefit and what the appropriate policy trade offs may be. As part of the review, the Committee involved all relevant parties and carried out a city-wide consultation to gather residents views.

Cllr Merrett, Chair

Aim of Review

To identify ways of reducing present levels of traffic congestion in York, and ways of minimising the impact of the forecast traffic increase.

Remit

Having regard to the impact of traffic congestion, the Committee were charged with recommending and prioritising specific improvements to:

- Economic Performance
- Quality of Life
- Road Safety
- CO₂ Emissions
- Air Quality, in particular looking at the five hotspots identified in the LTP2
- Journey times & reliability of public transport
- Accessibility to services, employment, education and health
- Alternative environmentally viable and financially practical methods of transport



The Committee carried out a comprehensive review of the Council's current transport policies, as expressed through the authority's 2nd Local Transport Plan and the 'Access York' initiative.

They also looked at their impact on meeting the anticipated traffic growth from the city's continued economic success and housing expansion in York, against the objectives of the review and the views of York



residents.

The Committee found that 56% of York's commuting journeys were less than 3 miles, and therefore there was lots of room for improvements, in terms of undertaking more journeys by green and environmentally less damaging modes, car sharing and reducing congestion.

Notwithstanding the many positive initiatives and measures being undertaken by the Council, the Committee recognised they would be insufficient to avoid significantly worsening traffic and congestion problems over the next decade or so, even with the short term effects of the current recession, which could both adversely affect quality of life in York and undermine the City's future economic success and well-being.



Also, the anticipated growth in motorised traffic and congestion, despite vehicle efficiency improvements and modal shift, would lead to continuing air quality problems and increases in greenhouse gas emissions.

The Committee identified that as a 'Smart Choices' approach had proven effective elsewhere and was high in value for money terms, there was a need to persuade individuals to make socially informed choices, requiring specific on-going public engagement and promotional strategy around 'Smart Choices', including reinvigorating the Green Travel Plan approach with York employers and

Committee Members

Councillors D Merrett (Chair), Hudson (Vice-Chair), Holvey, Orrell, Pierce, Simpson-Laing, Vassie



organisations.

The Committee agreed that the broad overall solution to both congestion and the climate change challenge was a concerted approach using the hierarchy of measures outlined below:

- Reduce the need to travel, and the length of journeys (through IT, land use planning policies and other solutions)
- Undertake the maximum proportion of journeys by green and environmentally friendly modes
- Optimise the uptake of car sharing
- In short term, switch to lower carbon emission fuels, maximise engine efficiency and lower embedded carbon model
- In medium term switch to non-carbon based fuels (although need to be mindful of recent evidence that suggests growing crops for bio-fuels may be contributing to third world deforestation and food shortages, hence affecting food prices)
- Improve driving standards / training (for fuel efficiency and safety, and to make roads safer and more attractive to green travel modes)
- Reduce congestion delays and engine idling in

Key Outcomes

Many of the recommendations arising from the review were fed into the city’s third Local Transport Plan draft (LTP3) which will address the city’s transport needs for the period 2011-2016, including:

- An urgent review of the Council’s bus strategy, taking into account the new powers in the recent transport act, so as to move towards a bus network that is completely integrated from the bus users point of view, including integrated ticketing and day round services
- Funding the development of a comprehensive ‘Smart Choice’ package including personalised journey planning to maximise modal shift together with a re-energisation of ‘Travel Plans’, ensuring they are implemented, monitored and periodically updated

More information on this review and a full list of the recommendations made, can be found at:

http://democracy.york.gov.uk/scrutiny_services/congestionreview

Conclusion

The review highlighted the Committee’s view that a major cultural change in the city is required if the massive challenge of rising traffic and congestion levels is to be addressed for the benefit of residents, visitors, and businesses.

Cllr Merrett

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The Traffic Congestion Review supported the council’s Corporate Strategy in a number of ways:

- by making York a cleaner and greener city and reducing the impact on the environment
- By making the city a healthier, more sustainable and thriving city, where residents have improved access to education, employment and health services.

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Economic & City Development Overview & Scrutiny Committee

Introduction

Awaiting info

CLlr Pierce, Chair

Remit

The Economic and City Development Overview and Scrutiny Committee monitors the performance, achievements and developments of the service plan areas shown below:

- Economic Development
- Planning
- City Development & Transport
- Housing Landlord
- Housing General
- Building Maintenance

And, it identifies aspects of the Council's operation relating to delivery of the above services in need of review, and scrutinises the services provided to the residents of York by other appropriate service providers.

Annual Work Programme

Throughout the year, the Committee received quarterly finance and performance monitoring reports, identifying issues specific to their remit for closer inspection. This resulted in a further report on the distribution of travel tokens being presented to the Committee for information.

During the year, the Committee were pleased to hear from both the Leader of the Council and the Executive Member for City Strategy.

The Committee also received reports on the following:

- Open letter from the York Environment Forum
- Updates on recommendations arising from previous scrutiny reviews
- The Economic Development Programme

Newgate Market Review

The Committee undertook a review on Newgate Market (York's daily market area) after a shortfall in income had been reported to them through a finance and performance monitoring report.

The overall aim of the review was to investigate possible ways of improving the existing stall market and its surrounding area currently occupied by Newgate Market. This was as a contribution to the Renaissance Team's work and the Footstreets Review, enabling them to recommend new designs and roles for Newgate Market and the associated public realm.



The Committee visited the market during operational hours and in the evening when the market traders had left for the day.

The Committee received information on the Market from the City Centre Management Team. They have also received evidence on what constitutes a good market from a representative of the National Association of British Market Traders.

This review is still ongoing and will be completed in 2010/11.



Committee Members

Councillors Pierce (Chair), Hudson (Vice-Chair), D'Agorne, Holvey, Hyman, Kirk, Potter, Scott

The key outcomes arising from the Newgate Market Review are expected early in 2010/11

Other Issues Considered

During the year, the Committee considered a number of other possible topics for review i.e.:

- Implementation of Planning Conditions & Adoption of New Housing Estates
- Acceptance of Euros by York Businesses



At the time, the Committee decided not to proceed with either of those reviews and agreed to reconsider them both at the beginning of the municipal year 2010/11.



The Committee also received a report and presentation on 'Safe Access to Schools & School Travel Plans'.

Having agreed the review would need to look at some services outside the committee's remit, they requested that Scrutiny Management Committee (SMC) set up a cross-cutting ad-hoc scrutiny committee to carry out the review.

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The Newgate Market Review supported the council's Corporate Strategy by supporting York's successful economy to make sure that employment rates remain high and that local people benefit from job opportunities.

It also touches on elements of the Sustainable City and Effective Organisation themes in the Corporate Strategy 2009/2012.

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SMC agreed with this approach and as a consequence, an Ad-hoc Scrutiny Committee was formed, made up of members from three of the standing Overview & Scrutiny Committees.

The review will be commenced at the start of the new municipal year 2010/11.

Finally, in the past year there have been two Councillor Calls for Actions (CCfAs) in York, both resulting in scrutiny reviews, which were carried out by this Committee - information on these can be found at pages 18-19.

Conclusion

Awaiting Info

Councillor Calls for Action

Ward Councillors play a central role in the life of a local authority, as a conduit for discussion between the Council and its residents and as a champion for local concerns. To strengthen a Councillor's ability to carry out this role the Government enacted in the Local Government and Public Health Act 2007, provisions for a 'Councillor Call for Action (CCfA)'. This provides Councillors with the opportunity to ask for discussions at Scrutiny Committees on issues where local problems have arisen and where other

In 2009-10, there were two CCfAs which resulted in scrutiny reviews. Both of these were dealt with by the Economic & City Development Overview & Scrutiny Committee.

In each case, they formed a Task Group made up of four committee members, to carry out the review on their behalf, and at the end of each review, the full Overview & Scrutiny Committee considered the findings before endorsing the resulting recommendations to the Executive.

Broadway Shops CCfA Scrutiny Review

Ward Councillors raised this in relation to ongoing problems around maintenance, parking and safety issues at Broadway Shops. The problems were historic and the fact that the land in front of the shops was not owned by anyone complicated matters.



The aim of the review was therefore to define a safe pedestrian route across the shop frontages which was acceptable to all parties, and to investigate the possibility of removing/remodelling the traffic island in order to put a designated parking area in place, in the long term.

In an effort to find a solution to the problems, the task group facilitated a number of meetings between the Council, local retailers, the Residents' Association and the Ward Councillors.

As a result it was agreed that a safe pedestrian walkway would be created in the area by painting a white line approximately 2m from the store fronts and strategically placing large flower tubs and cycle hoops to stop people parking too close to the shop fronts.

Key Outcomes

The Residents' Association offered to pay for the works and an onsite meeting between all parties was arranged regarding where the items should be placed.

A further facilitated discussion will take place this summer to discuss whether the works undertaken have improved pedestrian safety and if further alterations will be needed.

Water End CCfA Scrutiny Review

Following alterations to the junction at Water End and Clifton Green, Ward Councillors for Clifton responded to significant resident dissatisfaction by registering a CCFA.



The changes to the junction were made as part of the implementation of the orbital cycle route for the city.

However, residents felt they had resulted in additional congestion in the area and an increased use of Westminster Road and The Avenue by through traffic.

The aim of the review was therefore to determine the best solution for the problems experienced by local residents, and to look at what lessons could be learnt in order to inform the implementation of similar schemes in the city, based on the following key objectives:

- To establish whether local concerns still exist in the light of the Executive Member's decision
- To explore whether further improvements could be made to address the traffic issues
- To identify those measures or actions that could be taken to assist in the smooth implementation of similar schemes in the city
- To understand the context of the Land Compensation Act 1973 in relation to this CCfA

The Task Group gathered information and held an event to listen to the public's views.

It became clear that despite prior consultation, the consequences of the alterations had not been foreseen. The traffic modelling used had not incorporated side streets and the increased use of residential streets by through traffic had not been predicted.

It was recognised, that as a consequence of the changes to the junction at Water End, traffic levels in Westminster Road and The Avenue had increased substantially.

So, whilst cycle usage had increased, the changes to the junction had caused an exceptional set of circumstances for local residents.



Residents in the side streets believed that a point closure would be the best solution, but the Task Group recognised that this alone would not solve the problems and could lead to increased congestion on the main highway.

There were also geographic constraints at the junction making widening difficult.

Key Outcomes

The Executive being asked to endorse:

- That Council Officers urgently develop new, comprehensive proposals for the Water End junctions to improve the current junction and reduce greatly traffic flows in Westminster Road/The Avenue
- That the Council should, in future, use traffic models which incorporate side streets when assessing and designing junction improvements
- That the present policy of reviewing new highway schemes only after a period of twelve months should be modified to enable a review after three months when unforeseen consequences have arisen and when Ward Members request.

Community Safety Overview & Scrutiny Committee

Introduction

Awaiting info

Committee's Remit

The Community Safety and Overview Committee reviews the performance, achievements and development of the following council service plan areas :

- Safer City
- Environmental Health & Trading Standards
- Street Scene
- Cleansing Services
- Waste Collection Services
- Waste Management Strategy (Client)
- Building Cleaning Services
- Highways Maintenance Services
- Street Environment
- Bereavement Services
- Licensing & Regulation
- Youth Offending Team

It also identifies aspects of the Council's operation relating to delivery of the above services in need of development and/or review.

Annual Work Programme

At the beginning of the year, the Committee received training on its new role of scrutinising crime & disorder issues affecting the city.

It also received quarterly CYC finance and performance monitoring reports, and quarterly reports from the Safer York Partnership identifying issues specific to their remit for closer inspection, and resulting in a number of key reports on the following:

- The Council's Alleygating Policy
- CYC's Drug Action Team

Cllr Bowgett, Chair

- The Re-structure of the Police Force in York During the year, the Committee were pleased to meet with the Executive Leader & Executive Member for Neighbourhood Services, and they received a presentation by North Yorkshire Fire & Rescue Service on their role within the local Crime & Disorder Reduction Partnership (CDRP).



Finally during 2009-10, the Committee also carried out the following scrutiny review .

The Review of City of York Council's Winter Maintenance Policy

This subject proved to be very important to residents as York suffered the worst winter for a number of years, with a prolonged spell of snow



“ It would be helpful if the Council could prioritise route into town from N, E, S & W and give it really high priority ”
Feedback from staff member at York Hospitals Foundation Trust

Councillor D Bowgett
 Chair of the Community Safety
 Overview and Scrutiny Committee

Committee Members

Councillors Bowgett (Chair), Gillies (Vice-Chair), S Galloway, King, Orrell, Vassie, B Watson,



and ice in December 2009 and January 2010.

The Committee chose to carry out a review of the council’s Winter Maintenance Policy after many ward councillors received complaints, particularly about the treating of footpaths throughout the city.

They also received complaints about some roads and cycle paths which the public perceived had not been gritted despite the long period of bad

C O R P O R A T E The review of CYCs Winter Maintenance Policy supported the council’s Corporate Strategy by aiming to provide an environment which allows workers and visitors to travel freely and safely around the city in times of severe weather, thereby maintaining the city’s economy. This supports the council’s strategic aim to make the city safer and enabling it to thrive. **S T R A T E G Y**

Key Outcomes

In times of severe weather:

- up-to-date information on the gritting of ‘main’ cycle access routes into the city will be provided via the council’s website and in other ways, to allow cyclists to make an informed decision on whether or not to use their bicycle and which route to take
- Based on an agreed criteria, a list of secondary roads has been identified for gritting

In addition, it was recommended that a public information leaflet be produced containing information on (or pointers to) all the services residents may need to be able to function in times of severe weather or emergency situations.

Other Issues Considered

2009-10 was the first year this Committee took responsibility for the Council’s statutory functions relating to the scrutiny of crime and disorder matters (in line with Section 19 of the Police and Justice Act (2006).

This has enabled it to scrutinise the provision of services by other external service providers such as North Yorkshire Police.



The Committee considered carrying out a review of CCTV in York, as in recent times the use of closed circuit TV (CCTV) has become a key concern within communities, and has prompted many local authorities to focus on its associated benefits and problems.

Since the introduction of new local government arrangements, independent scrutiny reviews and investigations have been a popular way to address these concerns.



However, having been informed that a report on CCTV was scheduled to go to the Executive in Spring 2010 addressing the concerns raised, the Committee chose not to proceed with a review.

Conclusion

Awaiting Info

Scrutinising Crime and Disorder Issues In York

Community safety is not just an issue for the Police. Like every challenging outcome local authorities and their partners care and deliver for their communities, it needs a wide range of people and organizations to be involved and contribute to addressing crime and its causes.

Crime and Disorder Reduction Partnerships (CDRPs) were created by the Crime and Disorder Act 1998 to develop and implement strategies to reduce crime and disorder. They exist to ensure that a number of prescribed 'responsible authorities' work together to jointly agree and deliver community safety priorities. These responsible authorities, who have a long history of working together and getting results, are:

- The local authority
- The police force
- The police authority
- The fire and rescue authority
- The primary care trust

Safer York Partnership

In York, the CDRP is known as the **Safer York Partnership**.

In order to identify and deliver on the priorities that matter most to the local community, it is required to carry out a number of main tasks, including:

- Preparing an annual strategic assessment identifying the crime and community safety priorities in the area, through analysis of information provided by partner agencies and the community
- Producing a partnership plan, laying out the approach for addressing those priorities
- Undertaking community consultation and engagement on crime and disorder issues
- Sharing information among the responsible authorities within the CDRP



Scrutinising the work of the local CDRP

Every local authority is required to have an Overview & Scrutiny Committee that is responsible for scrutinising the decisions made and the actions taken by the local CDRP.

In York this responsibility lies with the **Community Safety Overview & Scrutiny Committee**.

The role of the committee is one of a 'critical friend' of the CDRP, i. e. they provide it with constructive challenges at a strategic level, rather than looking to find fault at an operational level. Its aim is to:

- Enhance existing partnership arrangements
- Create a clearer link between the partner agencies and the public on community safety.
- Develop a clear structure for overseeing and reviewing the delivery of joint responses on community safety

The scrutiny of crime and disorder issues is an important tool for community safety partners to work together to resolve crime and disorder problems, in a forum which is open to the public. It's aim is to boost the public's confidence that police and local authorities are acting on crime and anti-social behaviour issues.

The committee considers actions undertaken by the responsible authorities on the CDRP and reports or makes recommendations to either the local authority, or direct to one of the responsible partners.



Overview and Scrutiny - the next twelve months.....

The new Overview & Scrutiny Committees worked hard in 2009/10 to establish what they wanted to do and achieve and are planning to build upon their experiences over the next 12 months. Some Committees will be taking forward commitments to looking at issues they identified in 2009/10. In particular Scrutiny Management Committee will oversee the work of a joint ad-hoc committee it established to look at 'Safe Access & Travel to School'.

From July 2010, all Committees will be setting their work programmes for the year ahead, identifying key areas they would like to look at in more detail. Following on from that, they will meet with Executive Members and partners to learn about their plans. Those discussions will shape further the direction of scrutiny over the year ahead.

As in 2009/10, the Scrutiny Committees will continue to build in capacity to deal with matters 'called in' by other Members for their consideration or referred to them by Ward Councillors under the, still relatively new, '*Councillor Call for Action requirements*'.

For the first time, scrutiny will be inviting local residents to suggest areas they think warrant the attention of scrutiny. Also, a new corporate petitions scheme will be introduced which may well result in some petitions being referred for further investigation to scrutiny.

Finally, but by no means least, scrutiny will be reviewing its own processes to make sure it responds flexibly to local needs and priorities.

For more information about Overview & Scrutiny in York, or for more detailed information on any of the completed reviews outlined in this Annual Report, please contact one of the Scrutiny Team:

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Responsible for the following
Overview & Scrutiny Committees:
Effective Organisation
Learning & Culture
Community Safety
Traffic Congestion

Tracy Wallis, Scrutiny Officer
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Responsible for the following
Overview & Scrutiny Committees:
Economic & City Development
Health

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**Audit and Governance Committee**

29 June 2010

Report of the Head of Internal Audit

Annual Report of the Head of Internal Audit

Summary

- 1 This report summarises the outcome of audit and fraud work undertaken in 2009/10 and provides an opinion on the overall adequacy and effectiveness of the council's internal control arrangements.

Background

- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2003 (as amended) and the CIPFA Code of Practice for Internal Audit in Local Government (issued in 2006). In accordance with the code of practice, the Head of Internal Audit is required to report to those charged with governance on the findings of audit work, provide an annual opinion on the council's control environment and identify any issues relevant to the preparation of the Annual Governance Statement.

2009/10 Internal Audit and Counter Fraud Work

- 3 This report covers the first year of the new arrangements for the provision of internal audit and counter fraud services by Veritau. It has been a successful year overall, with a number of enhancements to the services provided to the council alongside the delivery of other audit and counter fraud work.
- 4 Internal audit delivered 94.9% of the 2009/10 internal audit plan by 30 April 2010 (against a target of 90%). Details of the work completed and the reports issued are given in Annex 2. The service also achieved a positive customer satisfaction rating of 100% (against a target of 95%), and agreed actions to address 100% of high priority issues identified through audit work (against a target of 90%). Other developments in internal audit this year are set out below.

- An audit strategy has been developed setting out how internal audit services will be delivered and developed in accordance with the council's terms of reference for internal audit and how the service links to the council's organisational objectives and priorities.
 - A new audit report has been adopted. The new format is designed to be clear and concise, allowing managers to easily see any significant issues or key risks which have been identified during the audit. The new reporting process also places an emphasis on reaching agreement with management on the measures necessary to address any control weaknesses found.
 - New wording has been adopted for the audit opinions and recommendations. The new wording is designed to reflect the role of internal audit, which is to provide assurance to management and those charged with governance. The amended wording is also intended to ensure greater consistency and be less susceptible to misinterpretation.
 - A revised Customer Satisfaction Survey has been developed to enable more accurate feedback to be obtained from audit customers.
 - Work has been undertaken to review the Audit Procedure Manual so that it reflects the changes in working practices.
- 5 Counter fraud work was undertaken in accordance with the approved plan. A summary of the work completed during the year was presented to this committee as part of the last audit and fraud monitoring report on 26 April 2010 (annex 1). Service developments in relation to counter fraud work include the following.
- Establishment of a project to investigate housing tenancy related fraud. An initial publicity campaign appears to have been well received, and a number of suspected cases of fraud are currently being investigated.
 - A fraud awareness survey involving approximately 300 managers across the council was undertaken during the year (as reported to this committee in April). This highlighted a number of issues, which require addressing. Action to be taken includes the roll out of a counter fraud e-learning application in 2010/11 which has recently been purchased by Veritau.
- 6 The successful and innovative partnership working between the council and North Yorkshire County Council, which led to the formation of Veritau, was recognised when both councils and the company were jointly awarded the Cliff Nicholson Award for Innovation and Excellence in Public Service Audit by the Chartered Institute of Public Finance & Accountancy (CIPFA). Veritau has provided a good example of how two local authorities can work together to develop a shared service and, as a result, a number of other local authorities have already expressed

an interest in seeing whether the approach adopted can be used as the model for delivering shared audit services in their areas.

- 7 A review of the work of Veritau was also carried out by the Audit Commission as part of their role in ensuring the council maintains an effective system of internal audit. The review concluded that the service continues to meet its professional and statutory duties and no areas of concern were identified.

Breaches of Financial Regulations

- 8 There have been a number of breaches of the council's financial regulations identified during the course of internal audit work in 2009/10. A summary of those breaches identified since the last report to this committee in April 2010 is included in annex 3. A significant number of the breaches relate to issues identified as part of the recent petty cash project. Additional guidance has subsequently been issued by the Assistant Director of Customer & Business Support Services (Customer Service & Governance) to address these issues, and further monitoring is ongoing.

Opinion of the Head of Internal Audit

- 9 In accordance with the council's terms of reference for internal audit, the Head of Internal Audit is required to provide an annual written report to the Audit and Governance Committee. The report sets out the Head of Internal Audit's opinion on the overall adequacy and effectiveness of the council's control environment and contributes to the overall review of the effectiveness of its systems of internal control and to the preparation of the Annual Governance Statement.
- 10 The opinion of the Head of Internal Audit is given in Annex 1. The opinion is based on audit and counter fraud work completed during the year including that detailed in annex 2 to this report, and other monitoring reports to this committee during the year. Internal audit work has been conducted in accordance with the CIPFA Code of Practice for Internal Audit.
- 11 In giving this opinion attention is drawn to the following significant control weaknesses which are considered relevant to the preparation of the 2009/10 Annual Governance Statement:
 - a) Reconciliations of the banking transactions occurred on a daily basis, however there was no complete reconciliation of the council's bank accounts during the course of 2009/10. This was due to system related problems following the implementation of the new FMS on 1 April 2009. It is understood that a full bank reconciliation is being produced for the financial year end, and that regular bank reconciliations will be undertaken in the future.
 - b) There were significant issues with the creditor payments system during the year. Again these arose following the implementation of the new FMS. Problems included delays in payments and the

threat by some suppliers to withdraw services. Management are taking action to address these problems.

- c) The fraud awareness questionnaire referred to in paragraph 5 above has highlighted a significant lack of awareness of the possibility of fraud across the council. This will be addressed through the work of the counter fraud team in 2010/11 including the use of the new e-learning application and other targeted fraud awareness training.

Consultation

- 12 Not relevant for the purpose of the report.

Options

- 13 Not relevant for the purpose of the report.

Analysis

- 14 Not relevant for the purpose of the report.

Corporate Priorities

- 15 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to making the council an effective organisation.

Implications

- 16 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

- 17 The council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the results of audit work are not reported and the annual statement and opinion of the Head of Internal Audit is not considered by those charged with governance.

Recommendations

18 Members are asked to;

- note the results of the audit and fraud work undertaken in 2009/10.

Reason

To enable members to consider the implications of audit and counter fraud findings.

- accept the opinion of the Head of Internal Audit on the adequacy and effectiveness of the council's internal control environment.

Reason

To enable Members to consider the opinion of the Head of Internal Audit.

- note the significant control weaknesses identified during the year which are relevant to the preparation of the Annual Governance Statement.

Reason

To enable the Annual Governance Statement to be prepared.

Contact Details

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Limited
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Chief Officer Responsible for the report:

Pauline Stuchfield
Assistant Director of Customer & Business Support
Services (Customer Service and Governance)
Telephone: 01904 551706

Report Approved



Date 18/6/10

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

Internal Audit Risk Assessment and Audit Strategy
2009/10 Audit Plan
2009/10 Counter Fraud Activity Plan

Annexes

Annex 1 - Opinion of the Head of Internal Audit
Annex 2 - Audits Completed and Reports Issued
Annex 3 - Breaches of Financial Regulations

Opinion of the Head of Internal Audit

I have evaluated the results of the audit and fraud work undertaken during the 2009/10 year. In my opinion the council's internal controls provide Substantial Assurance. The council can therefore continue to place reliance on the adequacy and effectiveness of its systems of internal control and the control environment.

Signed

Max Thomas
Head of Internal Audit
Veritau Ltd

29 June 2010

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Annex 2

2009/10 Audits Completed and Reports Issued

(A) An overall opinion is given following each audit review. For reports issued after 1 August 2009 these are:

Opinion	Level of Assurance
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

(B) Actions to address issues are agreed with managers where weaknesses in control are identified. For reports issued after 1 August 2009, the following categories have been used to classify agreed actions:

<u>Priority</u>	<u>Long Definition</u>	<u>Short Definition – for use in Audit Reports</u>
1 (High)	Action considered both critical and mandatory to protect the organisation from exposure to high or	A fundamental system weakness, which presents unacceptable risk to the system objectives and

<u>Priority</u>	<u>Long Definition</u>	<u>Short Definition – for use in Audit Reports</u>
2 (Medium)	<p>catastrophic risks. For example, death or injury of staff or customers, significant financial loss or major disruption to service continuity.</p> <p>These are fundamental matters relating to factors critical to the success of the area under review or which may impact upon the organisation as a whole. Failure to implement such recommendations may result in material loss or error or have an adverse impact upon the organisation’s reputation.</p> <p>Such issues may require the input at Corporate Director/Assistant Director level and may result in significant and immediate action to address the issues raised.</p>	requires urgent attention by management.
3 (Low)	<p>Action considered necessary to improve or implement system controls so as to ensure an effective control environment exists to minimise exposure to significant risks such as financial or other loss.</p> <p>Such issues may require the input at Head of Service or senior management level and may result in significantly revised or new controls.</p> <p>Action considered prudent to improve existing system controls to provide an effective control environment in order to minimise exposure to significant risks such as financial or other loss.</p>	<p>A significant system weakness, whose impact or frequency presents risks to the system objectives, and which needs to be addressed by management.</p> <p>The system objectives are not exposed to significant risk, but the issue merits attention by management.</p>

Priority

Long Definition

Short Definition – for use in Audit Reports

Such issues are usually matters that can be implemented through line management action and may result in efficiencies.

Draft Reports Issued

14 2009/10 reports are currently issued in draft and are with management for consideration and comments. Once the reports have been finalised, details of the key findings and issues will be reported to this committee. The draft reports are categorised as follows:

Opinion	Number
“High Assurance”	0
“Substantial Assurance”	8
“Moderate Assurance”	4
“Limited Assurance”	1
“No Assurance”	0
“Not given”	1

The findings from these audits are still being discussed and the actions to be taken being agreed with management and therefore it is not yet appropriate to formally report on the outcomes. However, there are issues from the draft report on ordering and creditor payments which are relevant to the Head of Internal Audit’s Opinion. Weaknesses arising from the implementation of the new financial management system on 1 April 2009 have caused problems and delays in processing payments during the year. While managers of the system are aware of the issues and plan to take action to resolve them, they had not been fully addressed at the time the audit was undertaken.

Final Reports

The table below shows audit reports finalised during the year. In all cases actions to address identified issues have been agreed with management, and will be subject to follow up by Internal Audit. The table includes reports finalised since the last monitoring report to this committee on 26 April 2010.

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are a 'high' priority	
Acomb Primary School	14/1/10	High Assurance	4	0	A school establishment audit. No significant weaknesses were identified. Actions were agreed to address minor issues.
Scarcroft Primary School	16/2/10	High Assurance	2	0	A school establishment audit. No significant weaknesses were identified. Actions were agreed to address minor issues.
Recruitment Process	22/3/10	Substantial Assurance	3	0	There is a need to improve standards of record keeping around recruitment processes. The need for compliance with procedures for authorising the appointment of staff before CRB checks are complete also needs promoting.
Sickness Management	22/3/10	Substantial Assurance	4	0	A review of the effectiveness of the sickness absence pilot scheme in HASS should be undertaken, and the service

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are a 'high' priority	
					established on a more formalised basis if appropriate. There is also a need to promote the use of return to work interviews to effectively to manage sickness absence.
Housing Rents	1/4/10	Substantial Assurance	10	0	There were issues in a number of areas including system access controls, production of management information, and the need to further develop procedures for collecting arrears.
Treasury Management	26/4/10	Substantial Assurance	2	0	The service needed to undertake a procurement exercise, which was overdue.
Petty Cash Project	27/4/10	None Given	NA	NA	This was a special assignment rather than a full assurance review. The work involved analysis of petty cash expenditure, identification of breaches of policy (eg financial regulations), and an assessment of future petty cash requirements. The assignment identified poor practice in the use of petty cash across the council. Further work is now being undertaken by

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are a 'high' priority	
					CBSS staff to address the problems identified.
Pool Cars	27/4/10	Moderate Assurance	15	0	<p>A number of problems were identified, including:</p> <ul style="list-style-type: none"> • No overall responsibility for pool cars, or management of the fleet • A lack of consistency in checks to ensure that only authorised drivers use cars and that users have a valid licence • A lack of procedures to ensure driver understand their responsibilities when using pool cars • A lack of systems for carrying out regular basic safety checks and recording vehicle defects
Nursery Education Grants	27/4/10	Substantial Assurance	2	0	The service needs to undertake checks to ensure providers hold documentation to support all children they are claiming for.
Canon Lee Secondary School	28/4/10	High Assurance	5	0	A school establishment audit. No significant weaknesses were identified.

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are a 'high' priority	
					Actions were agreed to address minor issues.
Cashiers	29/4/10	High Assurance	1	0	The service needed to undertake a procurement exercise, which was overdue.
Financial Planning and Budget Setting	30/4/10	High Assurance	0	0	No significant issues were identified.
Customer Accounts	7/5/10	Substantial Assurance	5	0	Minor improvements to procedures were required including a review of access and authorisation permissions for system input and a need to remind service departments to raise invoices promptly.
Lakeside Primary School	11/5/10	Moderate Assurance	8	0	A school establishment audit. Generally controls were good although actions were agreed to address issues in a number of areas. These included the need to formally review a contract let a number of years ago, a lack of checks on the adequacy of contractors public liability insurance, and the need to regularly change passwords to access the IT

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are a 'high' priority	
					system.
Information Security	13/5/10	Substantial Assurance	5	0	There is a need to review, update and publish a revised information systems security policy.
Housing and Council Tax Benefits	13/5/10	Substantial Assurance	7	0	Minor changes to systems are required eg processes for managing changes of circumstances. There was also a need to improve compliance with procedures for quality assurance checks and issuing decision notices.
Performance Management	19/5/10	Substantial Assurance	6	0	There is a need to further clarify reporting arrangements, and to develop systems to promote consistency.
Tang Hall Primary School	19/5/10	High Assurance	3	0	A school establishment audit. No significant weaknesses were identified. Actions were agreed to address minor issues.
Payroll	28/5/10	Substantial Assurance	13	0	Improvements to record keeping and administrative procedures were required. It was also found that the reconciliation of

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are a 'high' priority	
					payroll to the general ledger was not up to date at the time of the audit.
Derwent Federation	3/6/10	High Assurance	4	0	A school establishment audit. No significant weaknesses were identified. Actions were agreed to address minor issues.

Other Work Completed during 2009/10 includes

- Report of the Head of Internal Audit for 2008/09 prepared and presented to A&G in June 2009
- Assessment of compliance with the Financial Management Standard in Schools for all York schools
- Development of an audit strategy, and preparation of the annual audit plan
- A review and update of the council's policies for countering fraud and corruption
- Ongoing support and advice to departments across the council on control issues, and support in relation to specific projects eg disabled blue badges, HR transformation, and procurement cards
- Ongoing review of progress made to implement actions agreed following internal and external audit reviews, and the preparation of reports for Audit and Governance Committee
- Chargeable work including grant claim audits (LAA, Supporting People, DTI grant) and certification of LPSA 2 indicators
- Completion of 8 internal investigations in conjunction with the Counter Fraud Team
- A review of the councils policy and procedures for whistleblowing

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ANNEX 3

**SUMMARY OF BREACHES OF FINANCIAL REGULATIONS IDENTIFIED
DURING INTERNAL AUDIT WORK COMPLETED IN THE PERIOD**

Description of Breach*	Instances
Waiver not obtained where required	1
No formal contract in place (or tendering exercise) for procured service	5
Inventory records not properly maintained or incomplete.	4
Breaches of the Petty Cash procedures.	97

*These indicate where proper procedures were not followed, not where inappropriate use of council funds or resources were identified.

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Audit and Governance Committee

29 June 2010

Report of the Director of Customer & Business Support Services

Annual Governance Statement 2009/10

Summary

- 1 The purpose of this report is to present the Annual Governance Statement (AGS) 2009/10 for approval, which forms part of the Statement of Accounts for 2009/10. The AGS is attached as Annex A and has been agreed by the Leader and Chief Executive of the council (a signed version is contained within the Statement of Accounts) . A draft AGS was considered by the committee at its last meeting held on 24 April 2010, and members comments have been considered in drafting the final form of the AGS.

Background

- 2 The Accounts and Audit Regulations 2003 imposed a legal requirement on all local authorities to conduct a review of the effectiveness of systems of internal control and to publish Statements of Internal Control (SIC) as part of the annual accounts.
- 3 In 2007, CIPFA/SOLACE published an updated Framework document. The new document '*Delivering Good Governance in Local Government Framework*' set out six core principles of governance which authorities are required to adopt. In accordance with this requirement, the council has a local Code of Governance which reflects the CIPFA/SOLACE framework.
- 4 The Framework introduced the requirement on local authorities to prepare an Annual Governance Statement (AGS) instead of a SIC from 2007/08 onwards. In preparing the AGS it is necessary to address the overall governance arrangements of the organisation rather than specifically the systems of internal control.

Monitoring of AGS Action Plans

- 5 As reported at the last Committee the council is keen to seek to streamline the number of improvement plans in place where the actions/outcomes are the same. It is not intended, therefore, to have a separate plan for the AGS. The items included in the 2010/11 Corporate Strategy will be monitored quarterly by Executive part of the council's performance management framework. The items covered by Directorate Plans will be monitored by the Director of Customer & Business Support Services who also chairs the Officer Governance Group (OGG) which will have oversight of the progress of all AGS actions.

Consultation

- 6 Corporate officers have contributed to this report where appropriate.

Options

- 7 Not relevant for the purpose of the report.

Analysis

- 8 Not relevant for the purpose of the report.

Corporate Priorities

- 9 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything it does. It specifically contributes to the Effective Organisation priority in the Corporate Strategy.

Implications

- 10 The implications are;
- **Financial** – there are no financial implications other than the time required to undertake the review of key controls and prepare the AGS.
 - **Human Resources (HR)** – there are no HR implications to this report.
 - **Equalities** - there are no equalities implications to this report.
 - **Legal** - there is a legal requirement for the council to publish an Annual Governance Statement as part of the annual Statement of Accounts.
 - **Crime and Disorder** – there are no crime and disorder implications to this report.

- **Information Technology (IT)** - there are no IT implications to this report.
- **Property** - there are no property implications to this report.

Risk Management Assessment

11 The council will fail to comply with legislative requirements if it does not publish an Annual Governance Statement with the annual Statement of Accounts. The council would be criticised by the external auditor if the process followed to prepare the Annual Governance Statement was not sufficiently robust.

Recommendation

12 Members are asked to consider and approve the AGS 2009/10, particularly the significant control issues identified in section 5 of the Statement.

Reason

To enable Members to consider the effectiveness of the council's governance framework, and in particular the significant control issues.

Contact Details

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Chief Officer Responsible for the report:

Ian Floyd
Director of Customer & Business Support Services
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Report Approved



Date 17 June 2010

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

- CIPFA/SOLACE – ‘Delivering Good Governance in Local Government’ – Framework and Guidance Note for English Authorities’ (2007)
- CIPFA/SOLACE – Application Note to Delivering Good Governance in Local Government:a Framework (March 2010)
- Accounts and Audit Regulations 2003 (as amended)
- CIPFA guidance – ‘The Annual Governance Statement’ – Meeting the Requirements of the Accounts and Audit Regulations 2003 (as amended 2006)
- 2008/09 Annual Governance Statement
- CIPFA – The role of the Chief Finance Officer (2010)

Annexes

Annex A –Annual Governance Statement 2009/10

ANNUAL GOVERNANCE STATEMENT 2009/10

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

City of York Council (the council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility the council is also responsible for putting in place proper arrangements for the governance of its affairs, which facilitate the effective exercise of the council's functions and which includes arrangements for the management of risk.

The council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is in the council's Constitution and on the council's website. This statement explains how the council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

Corporate governance is the system by which the council directs and controls its functions and relates to the communities it serves. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) identifies six underlying principles of good governance. These principles have been taken from the *Good Governance* framework and adapted for local authorities. They are defined as follows:

- focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- developing the capacity and capability of members and officers to be effective
- engaging with local people and other stakeholders to ensure robust public accountability.

The extent to which the principles of corporate governance are embedded into the culture of the council will be assessed in this statement. Furthermore the council has to be able to demonstrate that it is complying with these principles.

The governance framework comprises the systems and processes, culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

ANNUAL GOVERNANCE STATEMENT

The Purpose of the Governance Framework cont'd

The governance framework has been in place at the council for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts for 2009/10.

3. The Council's Governance Framework

The requirement to have a robust governance framework and sound system of internal control covers all of the council's activities. The internal control environment within the council consists of a number of different key elements, which taken together contribute to the overall corporate governance framework. The key elements of the governance framework within the council consist of strategic planning processes, political and managerial structures and processes, management and decision making processes, policies and guidance, financial management, compliance arrangements, risk management, internal audit, counter fraud activities, performance management, consultation and communication methods and partnership working arrangements.

Strategic Planning Processes

The council has in place a strategic planning process, informed by community and member consultation, that reflects political and community objectives and acts as the basis for corporate prioritisation. The council's Corporate Strategy expresses the council's priorities until 2012 and priorities and associated milestones are refreshed each year. The council has also developed a standard directorate and service planning process which integrates priority setting with resource allocation and performance management.

Political and Managerial Structures and Processes

The full Council is responsible for agreeing overall policies and setting the budget. The Executive is responsible for decision making within the policy and budget framework set by full Council. The Corporate Management Team (CMT) has responsibility for implementing council policies and decisions, providing advice to members and for coordinating the use of resources and the work of the council's directorates.

The Executive meets every fortnight and the CMT meets every week. The Executive and CMT monitor and review council activity to ensure corporate compliance with governance, legal and financial requirements. The officer Quality Control Group also reviews reports before they are presented to the Executive to ensure that all legal, financial and other governance issues have been adequately considered. New arrangements have been developed to introduce officer agenda planning for all Executive decisions. This will ensure that all reports receive a legal overview.

The council has new scrutiny arrangements which were introduced during 2009/10, the effectiveness of those arrangements are yet to be measured and articulated but Audit Commission feedback on Use of Resources for 2009/10 suggests that there are some good practices which set the standard for all of the committees to achieve during 2010/11.

There is an Audit and Governance Committee which acts as the responsible body charged with governance on behalf of the Council. In doing so it provides independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the council's financial and non-financial performance to the extent that it affects the council's exposure to risk and weakens the control environment, it oversees the financial reporting process and approves the Statement of Accounts.

The council has a Standards Committee that is responsible for promoting good ethical governance within the organisation. The Standards Committee is also responsible for adjudicating in cases where a complaint is made against a Member of either, the City of York Council, or the parish councils within its administrative boundary. The Standards Committee has a membership that includes members of the council, members of the public and representatives of the parish councils. In addition, the Chair of the Committee must be one of the independent members.

ANNUAL GOVERNANCE STATEMENT

The Council's Governance Framework cont'd

The Audit and Governance and Standards Committees have committed to working together improve the oversight of corporate governance

Management and Decision Making Processes

During 2009/10 the Corporate Strategy, under its Effective Organisation theme included the 'Improvement Plan' which was developed after a fundamental review of corporate governance arrangements in early 2009. Its aim was to secure continuous improvement of internal processes and governance frameworks, which in turn support effective service delivery. Nine individual areas for improvement were identified, and progress against milestones monitored throughout the year by Executive.

10 Corporate management and leadership is supported and developed through the Corporate Leadership Group.

Policies and Guidance

Specific policies and written guidance exist to support the corporate governance arrangements and include:

- The council's Constitution
- Codes of Conduct for Council Members and Council Officers
- Protocol on Officer/Member Relations
- Financial Regulations and Procurement Rules
- Member and Officer Schemes of delegation
- Registers of Council Members' interests, gifts and hospitality
- Registers of Council Officers' interests, gifts and hospitality
- Corporate policies, for example those relating to Whistleblowing, the Prosecution of Fraud and Corruption and dealing with complaints
- Asset Management Plan
- Strategic Risk Register
- The Council's Business Model (2009 version).

Many codes and protocols form part of the constitution and are monitored for effectiveness by the Officer Governance Group (see paragraph 3.19 below). Any amendments must be scrutinised by the Audit & Governance Committee prior to approval by full Council.

Financial Management

The then Director of Resources now the Director of Customer & Business Support Services (as the Section 151 Officer) has the overall statutory responsibility for the proper administration of the council's financial affairs, including making arrangements for appropriate systems of financial control.

The council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) in that:

- he is a key member of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the council's strategic objectives sustainably and in the public interest;
- he is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the council's financial strategy; and he
- leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

ANNUAL GOVERNANCE STATEMENT

The Council's Governance Framework cont'd

In delivering these responsibilities he leads and directs a finance function:

- that is resourced to be fit for purpose; and
- is professionally qualified and suitably experienced.

The council operates a system of delegated financial management within a corporate framework of standards and financial regulations, comprehensive budgetary control systems, regular management information, administrative procedures (including the segregation of duties) and management supervision. The financial management system includes:

- A Medium Term Financial Plan highlighting key financial risks and pressures on a 5 year rolling basis
- An annual budget cycle incorporating Council approval for revenue and capital budgets as well as treasury management strategies
- Annual Accounts supporting stewardship responsibilities, which are subjected to external audit and which follow Statements of Recommended Practice, Accounting Codes of Practice, and Financial Reporting Standards
- Joint budget and performance monitoring as outlined in the section on Performance Management below.

Compliance Arrangements

Ongoing monitoring and review of the council's activities is undertaken by the following officers to ensure compliance with relevant policies, procedures, laws and regulations:

- The Section 151 Officer
- The Monitoring Officer
- The Head of Internal Audit
- Finance officers and other relevant service managers.

The Council's Monitoring Officer has a statutory responsibility for ensuring that the council acts lawfully and without maladministration.

Compliance with the council's governance arrangements are subject to ongoing scrutiny by the Audit Commission and other external agencies. The Officer Governance Group (OGG) also monitors, reviews and manages the development of the council's corporate governance arrangements. The group includes the Section 151 Officer, the Monitoring Officer and the Head of Internal Audit as well as other key corporate officers and is responsible for drafting the Annual Governance Statement on behalf of the Audit & Governance Committee.

Risk Management

The council has adopted a formal system of Risk Management. Although responsibility for the identification and management of risks rests with service managers, corporate arrangements are co-ordinated by the Risk Management Service to ensure that:

- the council's assets are adequately protected
- losses resulting from hazards and claims against the council are mitigated through the effective use of risk control measures
- service managers are adequately supported in the discharge of their responsibilities in respect of risk management.

ANNUAL GOVERNANCE STATEMENT

The Council's Governance Framework cont'd

The system of risk management includes the maintenance of a risk register, to which all directorates have access. The risk register includes corporate, operational, project and partnership risks, in accordance with best practice in local government. The risk register is used to monitor risks and identify appropriate action plans to mitigate risks. Relevant staff within the Council have also received training, guidance and support in risk management principles. These risk management arrangements and the Corporate Risk Register containing the Council's key strategic risks are monitored by CMT and the Audit & Governance Committee.

Internal Audit and Fraud

The council also operates internal audit and fraud investigation functions in accordance with the Accounts and Audit Regulations 2003 (as amended). The service in 2009/10 was provided by Veritau Limited, a shared service company established by the City of York and North Yorkshire Councils. Veritau's Internal Audit & Counter Fraud Team undertakes an annual programme of review covering financial and operational systems and including systems, regularity, and probity audits designed to give assurance to members and managers on the effectiveness of the control environment operating within the council. Through its work the team also provides assurance to the Section 151 Officer in discharging his statutory review and reporting responsibilities. In addition the team provides:

- advice and assistance to managers in the design, implementation and operation of controls
- support to managers in the prevention and detection of fraud, corruption and other irregularities.

Performance Management

The council recognises the importance of effective performance management arrangements and has been working to secure further improvements in 2009/10. It has a Performance Management Framework (PMF), which sets out the formal arrangements for effective performance management at a directorate and corporate level, including both service and financial based monitoring. During 2009/10 each directorate reported finance and performance monitoring progress to members through the revised Scrutiny arrangements. Corporate joint finance and performance reporting to CMT (monthly) and Executive (quarterly) takes place at a corporate level.

The council has embarked on an ambitious programme of efficiency improvements known as MoreforYork. The Programme was approved by members in principle in July 2009 and in detail, supported by detailed business plans, in October 2009. The MoreforYork Programme has a clear governance structure with CMT as its Programme Board and a clear project management approach with financial and performance monitoring processes in place.

Consultation and Communication Methods

The council communicates the vision of its purpose and intended outcomes for all stakeholders to enable accountability and encourage open consultation. To enable this, analysis of the council's stakeholders is undertaken and relevant and effective channels of communication are developed. These have been enshrined in the council's Engagement Strategy. Examples of communication and consultation include:

- communication of community and corporate strategies
- publishing an annual Statement of Accounts and Performance Report to inform stakeholders and services users of the previous year's achievements and outcomes
- the annual report on the performance of the scrutiny function
- opportunities for the public to engage effectively with the council including attending meetings
- the Talkabout Citizen's Panel
- regular residents' surveys including the Place Survey
- publications such as Your City and Your Ward
- involvement in devolved budget decision-making at ward level

ANNUAL GOVERNANCE STATEMENT

The Council's Governance Framework cont'd

- budget and other consultation processes
- customer feedback through the council's complaints procedure or other direct service feedback processes.

Partnership working arrangements

The overall governance framework established by the council contributes to effective partnership and joint working arrangements. In addition, the council is seeking build on existing protocols for partnership working that ensure that the responsibilities are clearly defined to ensure that the relationship works effectively, for the benefit of service users. For each partnership the legal status of the entity is defined and also the extent that decisions taken by the partnership will be binding for each organisation. Regular review of the existing partnerships database is undertaken to monitor the extent of joint working and its effectiveness. An annual review of governance arrangements of the council's key partnerships is undertaken and further development of this work is covered in the section on Significant Governance Issues below.

4. Review of Effectiveness

The council has responsibility for conducting, at least annually, a review of the effectiveness of its systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the council's systems of internal control has been undertaken. This review has been co-ordinated by the Officer Governance Group, which comprises the Director of Customer & Business Support Services (the Section 151 Officer) and the Head of Legal, Civic and Democratic Services (the Monitoring Officer), the Assistant Director of Customer & Business Support Services (Customer Service & Governance) and the Head of Internal Audit (Veritau Ltd). The review included consideration of:

- the adequacy and effectiveness of key controls, both within individual directorates and across the council
- any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer
- any control weaknesses or issues identified and included in the annual report of the Chief Internal Auditor, presented to the council's Audit and Governance Committee
- significant issues and recommendations included in reports received from the Audit Commission and other inspection agencies
- the results of internal audit and fraud investigation work undertaken during the period
- the Review of the Effectiveness of Internal Audit
- the MoreforYork efficiency programme, including the organisational review
- the views of those members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks
- the council's risk register and any other issues highlighted through the Council's risk management arrangements including the review of significant partnership governance arrangements
- the outcomes of service improvement reviews and performance management processes
- progress in dealing with control issues identified in the 2008/09 Annual Governance Statement.

ANNUAL GOVERNANCE STATEMENT

5. Significant Governance Issues

In considering the significant internal control issues contained within the 2008/09 AGS, it is noted that the following enhancements have been achieved, mostly through the actions resulting from council's 2009/10 Improvement Plan:

- improved corporate Human Resource structures and frameworks including the development of a Workforce Development Plan
- improvements in the quality and consistency of financial monitoring processes
- a review of internal communications with improvements informing the design of the new corporate intranet;
- further development of the Health and Safety Framework
- development of the Single Corporate Equality Scheme and action plan, and further development and delivery of Equality Impact Assessments
- introduction of internal performance challenge processes
- development and approval of an Information Governance Policy & Strategy and related action plans
- development and launch of the council's Business Model which provides the council's standard framework of governance rules and procedures to officers.

In addition to the above, a number of issues referred to in the 2008/09 AGS have been partially actioned in 2009/10 and will be further progressed during 2010/11 and beyond (through the named plans in brackets):

- project and programme management (Chief Executive's Directorate Plan)
- partnership governance including shared use of resources (Corporate Strategy)
- officer Code of Conduct awareness including a revision of current procedures such as the Whistleblowing Policy, and the delivery of a training programme to cover this and the findings of a recent Fraud Awareness survey (Customer & Business Support Services (C&BSS) Directorate Plan).

New areas identified through the effectiveness review at Section 4 above, are outlined below with details of the plans which will be monitored by the OGG during 2009/10 for evidence of improvement:

- Organisational leadership and cultural change (Corporate Strategy/MoreforYork Programme Project Plan)
- Improved use of scrutiny, including training for members and officers (Corporate Strategy)
- Improvements to officer and member decision-making processes (Corporate Strategy)
- Improved compliance with Financial Regulations and Contract Procedure Rules to ensure lawful, effective and efficient use of the council resources in relation to procuring goods and services (CBSS Directorate Plan)
- Compliance with the requirements of the new Information Governance Strategic Framework (CBSS Directorate Plan)
- Improved processes for bank reconciliations during 2010/11 (CBSS Directorate Plan).

The full Council is the sovereign body that considers and approves changes to the council's Constitution. It is recognised, however, that the Audit & Governance Committee has a very important role in terms of the council's Constitution generally and specifically in relation to advising the Council on any proposed changes to the council's governance and decision-making arrangements. As Audit & Governance Committee has requested, this important role will continue to be recognised.

ANNUAL GOVERNANCE STATEMENT

Significant Governance Issues cont'd

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed
K. England
Chief Executive

Dated

Signed
Cllr A. Waller
Leader of the Council

Dated



Audit & Governance Committee**29 June 2010**

Report of the Director of Customer and Business Support Services

Statement of Accounts 200910**Summary**

- 1 The purpose of this report is to enable Audit & Governance to examine and approve the Council's pre-audit Statement of Accounts 2009/10.

Recommendations

2. That the Audit & Governance Committee approves the pre-audit Statement of Accounts for the financial year ended 31 March 2010.
3. Reason: It is a statutory requirement that a committee of the Council or Full Council approves the Statement of Accounts for 2009/10 by 30 June 2010. Full Council resolved on 22 January 2009 that the Statement of Accounts be approved by Audit & Governance Committee.

Background

- 4 The report sets out the background for the requirement of Members to approve the draft pre-audit Statement of Accounts. The draft pre-audit Statement of Accounts is attached at Annex B. An appropriately signed copy will be presented to this meeting for final signature subject to approval of the committee.
5. To assist Members and readers in the understanding of the draft pre-audit Statement of Accounts a brief explanation and information on the constituent parts of the Statement of Accounts (in the order in which they are produced) are attached at Annex A. This, supplemented by the presentation given to Audit & Governance on Thursday 24 June 2010, will enhance Members' understanding and facilitate robust scrutiny prior to approval.
6. Following approval of the draft pre-audit Statement of Accounts, the accounts will be made available for public inspection on 2 August 2010 for 20 working days, with Tuesday 31 August 2010 being the date on or after which local government electors for the area to which the accounts relate may exercise their rights to question the auditor about the accounts. The Audit Commission expects to issue a report and opinion by the end of September 2009.
7. The pre-audit Statement of Accounts has been prepared in accordance with the CIPFA Statement of Recommended Practice (SORP) 2009 for accounts prepared on or after the 1 April 2009. The pre-audit Statement of Accounts is produced in line with UK Generally Accepted Accounting Practices (GAAP); this makes Local

Authorities' accounts more compliant with the private sector. This is the last year that the accounts will be produced under UK GAAP, as from 10/11 the Statement of Accounts of all Local Authorities will be produced under International Financial Reporting Standards (IFRS).

8. There are three main changes to the Statement of Accounts in 2009/10, two are defined in the SORP 2009, and the third is detailed in the CIPFA Local Authority Accounting Panel (LAAP) bulletin 85. In addition, there are a number of minor amendments, which affect this Authority. The changes of note are explained in the following paragraphs 9 to 13.
9. The accounting requirements for PFI (Private Finance Initiative's) and similar contracts are no longer based on FRS 5, but on International Financial Reporting Standards (IFRS) - IFRIC 12 Service Concession Arrangements. All PFI properties that deliver PFI services, up to this year, were accounted for "off-balance-sheet". Under IFRS and in the Accounts 2009/10 the PFI is required to be recognised "on-balance-sheet", along with the liability for the financing provided by the PFI Operator. Regulations or statutory guidance to ameliorate any impacts on authorities' funding positions have been put in place and therefore there is not impact on Council Tax.
10. The change in accounting treatment is complex and requires the Authority to restate prior year Accounts back to the inception of the PFI agreement. City of York Council has one such PFI dating back to 2005/06. The revised PFI model prepared by CYC has been quality reviewed by PricewaterhouseCoopers and confirms the accuracy of the PFI model used in preparing the Statement of Accounts. The use of PWC to review this work also demonstrates excellent value for money, as PricewaterhouseCoopers have not been required to create the model from inception.
11. The second main change is the revised accounting treatment for the collection fund and the accounting for council tax and National Non-Domestic Rate (NNDR) accruals. CYC is a billing authority for council tax in which it acts as an agent when it collects and distributes council tax income on behalf of major preceptors e.g. fire authority and the police. CYC is also an agent with the Government for the purpose of NNDR. The 2009 SORP has been amended in relation to accounting for Council Tax and NNDR in England so that the Billing Authority / Government Agent (CYC) and the Preceptor Authorities (Fire and Police) show appropriate shares of Council Tax / NNDR debtors and creditors in their respective Balance Sheets. This requirement is for the 2009/10 final accounts and an associated restating of 2008/09 Final Accounts.
12. The third change detailed in the LAAP Bulletin 85 is with regards to Senior Officer Remuneration. The new requirements have been introduced to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior team charged with the stewardship of the organisation. This disclosure is intended to ensure comparability with all local authorities and promote a similar level of openness as central government and the private sector.

13. Further minor amendments listed in the SORP 2009, which have been incorporated in to the Statement of Accounts include:
- The proportion of long-term financial liabilities due to be settled within 12 months after the Balance Sheet date are now to be presented in “Current Liabilities.”
 - Five note disclosures have been removed as none of these disclosures are required by accounting standards or legislation:
 - a. Section 137 expenditure
 - b. Expenditure on Publicity
 - c. Building Control Accounts
 - d. Business Improvement District Schemes
 - e. Income under Local Authorities Goods and Acts respectively.
 - The SORP has been amended to clarify that local authorities should follow FRS 2 and FRS 9 when accounting for investments in subsidiaries and associates.
14. A significant amount of work has been undertaken in 2009/10 to ensure that
- the changes to the accounts in 2009/10 described in paragraphs 9 to 12 and
 - the recommendations and improvements identified by the Audit Commission in their 2008/09 Final Accounts Memorandum Audit & Governance Report
- have been implemented as part of the 2009/10 Close of Accounts process.
15. A range of actions, following on from Audit Commissions recommendations, have been included in the final accounts process to ensure the Accounts are submitted within the statutory timetable: -
- A formal quality assurance process as part of the closedown arrangements has been implemented through departments to ensure all working papers have been checked and authorised.
 - Working Papers have been standardised across the authority for ease of use across all departments and to ensure a clear trail from the finance ledger to the statement of accounts.
 - Collaborative working across all departments continues from last year with weekly meetings through the close down process where accountants are represented from all work areas.
 - A thorough review of the Fixed Asset Register by Corporate Finance along with Property Services has been undertaken to ensure accurate accounting treatment and that valuation certificates are SORP compliant.
 - Attention has been given to accounting policies and disclosures to ensure that consistency occurs throughout the Statement of Accounts.
16. At the time of writing this report, the quality review is still underway. Any proposed amendments to the draft pre-audit statement that are identified through this process will be presented to Members at Audit & Governance on 29 June 2010 in a “schedule of changes”.

Consultation

17. All services areas of the Authority have contributed to the pre-audit Statement of Accounts and working papers.

18. In line with the approval process agreed at Full Council on 22 January 2009 the pre-audit Statement of Accounts, which includes the Annual Governance Statement, are to be considered and approved by the Audit & Governance.

Options

19. That the Audit & Governance Committee approves the pre-audit Statement of Accounts for the financial year ended 31 March 2010, in accordance with the statutory requirement.

Corporate Priorities

20. When determining the CAA score to issue for the Council, consideration is given to whether or not the Statement of Accounts has been produced in accordance with statutory requirement and has undergone a full scrutiny by Members prior to being approved. The Statement of Accounts provides a technical financial summary of the activities of the council.

Implications

21. The implications are
- Financial - The Statement of Accounts shows that for 2009/10 there is a provisional underspend of £322k (less any carry forward requests approved by Executive on 22 June). This position arises due to tight financial controls exercised in year, which ensure the Council's financial standing has been maintained, despite a number of pressures in children/adult care, impact of the recession and winter maintenance costs. Full details on this were reported in the Year End Financial & Performance report presented to Executive on 22 June 2010. The level of General Reserves is some £7m, compared to a recommended minimum level of reserves of £5.9m. Clearly there are significant financial challenges facing all public sector organisations and the need to maintain reserves will be essential throughout this period.
 - Human Resources - there are no human resource implications to this report
 - Equalities - there are no equality implications to this report
 - Legal - there are no legal implications to this report
 - Crime and Disorder - there are no crime and disorder implications to this report
 - Information Technology - there are no information technology implications to this report
 - Property - there are no property implications to this report
 - Other - there are no other implications to this report

Risk Management

22. Areas of risk identified throughout the Close of Accounts process are monitored and managed on an ongoing basis to ensure the statutory deadline is met. The risks identified in 2009/10 were
- Technical ability and capability of personnel
 - Impact of the changes to the SORP 2009, specifically in the conversion of the PFI to be compliant under IFRS.
23. Also, this report is for Members to approve the pre-audit Statement of Accounts by the statutory deadline. Failure to adequately review the Accounts can impact negatively upon the Council's CAA assessment and reportage of financial issues.

Conclusion

- 24. The production and publication of the Statement of Accounts is a statutory requirement that provides Members and interested parties with the chance to see the full financial position of the Council.
- 25. Bringing the Statement of Accounts to Audit & Governance provides an opportunity for Member led debate and compliance with defined best practice. It is an important part of Member involvement in corporate governance that a full scrutiny is undertaken of the Council's Accounts.
- 26. It is intended that following a receipt of an unqualified opinion on the accounts from the District Auditor, that the finalised Statement of Accounts 2009/10 will be published and distributed to all Members and Chief Officers. The District Auditor is required to give his opinion as part of the Annual Governance Report to be considered by Audit and Governance Committee no later than the 30th September 2010.

Contact Details

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Chief Officer responsible for the report:

Keith Best
Assistant Director of Customer and
Business Support Services (finance)

Ian Floyd
Director of Customer and Business
Support Services

Report approved Date 29/06/10

Specialist Implications Officer(s) None

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of this report

Background Working Papers

Statement of Accounts 2009/10
Supporting Working papers held by Finance Departments across the Council.
Statement of Recommended Practice (SORP 2009) Guidance Notes for Practitioners
Best Value Accounting Code of Practice 2009

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A brief explanation on the constituent parts of the Statement of Accounts

Foreword

1. This is designed to help give readers an understanding of the accounts. It sets out a description of all the individual sections, gives an overview of the revenue and capital position in the year, identifies the position on the Council's borrowing powers and reserves and future issues that may influence how the Council is run. It also provides the opportunity to explain any changes in accounting policies that have been used in the preparation of the Accounts.

District Auditors' Report

2. This is the auditor's certificate on the accuracy or otherwise of the authority's accounts and is issued at the end of the audit process. York has never had a qualification to its audit certificate.

Statement of Accounting Policies

3. This statement sets out all the policies that have been followed in preparation of the accounts. It also intended to demonstrate where, if at all, the policies followed by Council differ from either the best practice or the CIPFA guidelines.

Statement of Responsibilities

4. This is a simple statement that sets out the different legal responsibilities of the Council and the 'Section 151 Officer' (Director of Resources). It is also where the certificate has to be signed by the Director of Resources that the accounts represent fairly the position of the Council, and the Lord Mayor (or Chair of Audit & Governance Committee on the day that the accounts are approved) must sign to demonstrate that the accounts have been approved by Members.

Annual Governance Statement

5. The Accounts and Audit Regulations 2003 introduced the requirement for each local authority to conduct a review of the effectiveness of its system of internal control and to publish a Statement on Internal Control (SIC) as part of the Annual Statement of Accounts. The Council first published a SIC in 2003/04. The SIC formed an important part of the overall process within the Council for monitoring and reporting on the adequacy and effectiveness of its corporate governance arrangements, particularly those in respect of risk management and internal control. Publication of the SIC enabled the Council to formally report on governance related issues identified during the relevant accounting period. The SIC demonstrated openness and accountability to the public and other stakeholders, and provided a framework for improving the adequacy and effectiveness of corporate governance arrangements.
6. The Department for Communities and Local Government issued guidance in 2006 (Circular 03/2006) which gave the existing CIPFA/SOLACE Corporate Governance Framework document 'proper practice' status. CIPFA/SOLACE, in 2007, published an updated Framework document. The new document '*Delivering Good*

Governance in Local Government Framework sets out the core principles of governance which authorities are required to adopt.

7. The 2007 guidance also introduced the requirement on local authorities to prepare an Annual Governance Statement (AGS) instead of a SIC (for 2007/08, and future accounting years) In preparing the AGS, the Council must address the overall governance arrangements of the organisation rather than specifically the systems of internal control.

Income and Expenditure Account

8. The Income and Expenditure Account shows the net cost of all the functions for which the Council is responsible. It compares the cost of service provision with the income raised by fees and charges, from specific Central Government grants and from the Collection Fund. The surplus or deficit on this account represents the amount by which income is greater than or less than expenditure, where income and expenditure are measured using essentially the same accounting conventions that a large (but unlisted) company would use in preparing its audited annual financial statements.

Statement of the Movement on the General Fund Balance

9. This account reconciles the amounts that must be taken into account when determining the Council Tax of the Council in accordance with statute and non-statutory proper practices and the sums included in the Income and Expenditure Account.

Statement of Total Recognised Gains and Losses

10. This statement is a requirement which attempts to analyse changes in the council's asset base due to:
 - Surplus or deficits on income and expenditure
 - The revaluation of the council's fixed assets
 - Changes in pension liabilities due to actuarial revaluation

11. In many instances these revaluations impact primarily on the council's balance sheet.

Balance Sheet

12. The balance sheet shows the overall financial position of the Council with external bodies by bringing together the year-end balances of all the Council's accounts. It shows the balances and reserves at the Council's disposal, the long-term indebtedness, the net current assets and summary information on the fixed assets held.

Cash Flow Statement

13. This statement provides a link between the Balance Sheet at the beginning of the year, the revenue accounts for the year and the Balance Sheet at the end of the year. It summarises on a subjective basis the expenditure and income of the Council for revenue and capital purposes.

Housing Revenue Account Income and Expenditure

14. This account summarises the income and expenditure of providing Council houses. There is a statutory requirement to keep this account separate from other Council activities.

Statement of Movement on the Housing Revenue Account Balance

15. This statement shows how the deficit on the Housing Revenue Account Income and Expenditure Account for the year reconciles to the surplus for the year on the Statutory Housing Revenue Accounts.

Collection Fund

16. This fund shows the transactions of the Council acting as Charging Authority in relation to Council Tax, Community Charge and Non-Domestic Rating in aid of local services and shows how much monies have been distributed to the Council, North Yorkshire Police Authority, North Yorkshire Fire and Rescue Authority, and parish councils.

Group Accounts

17. These accounts collate together the Statement of Accounts of City of York Council along with other entities accounts that CYC have an interest in. 2009/10 is the first year that Group Accounts have been prepared to include a subsidiary and an associate. The newly formed company Veritau Ltd which is a 50% subsidiary jointly with North Yorkshire County Council where both Council's now share internal audit services. The associate is Yorwaste that CYC have a significant influence over at 23%.

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Audit & Governance Committee

29 June 2010

Report of the Assistant Director (Lifelong learning & Resource Management)

Risk Update – York Sports Village (YSV) Swimming Pool

Summary

1. The purpose of this paper is to provide further information as requested by Audit & Governance Committee (A&G) at the meeting of 15 February 2010 in relation to the financial risks of funding construction of the new YSV Swimming Pool.

Background

2. A&G regularly request reports on specific areas of risk as part of the committee's governance remit. At the meeting of 15 February 2010 a detailed report on the development of the YSV Swimming Pool was presented by the Director of Adult Children and Education (ACE). Following the presentation A&G specifically requested a representative(s) from the university attended a future session to discuss the financial risk. This paper has been brought specifically in respect of this request.

Risk Associated with the YSV Pool

3. The YSV Swimming Pool forms one of the key risks contained within the council's corporate risk register in relation to the Capital Programme. Representatives from the university have agreed to attend this evenings session to discuss the financial risk from the universities perspective.
4. The Exhibit below provides an extract from the risk register at the end of quarter 4 2009/10 describing the risk.

Exhibit 1

Risk Detail (cause)	Implications (consequence)	Net Score	Actions - (Owner Due Date Priority)
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KCR 0016 - CAPITAL PROGRAMME

0670 - Failure to deliver York University Pool by 2011	The University has not yet set a start date for the construction of the pool and have not yet been able to identify all the required funding.	21 Critical	692 - Work with the University to submit funding bids to Sport England and the Football Foundation. (Charlie Croft, 31/03/2011, High) 740 - University to review their capital position (University of York, 31/03/2011, High)
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Options

5. Not applicable.

Corporate Strategy

6. The effective consideration and management of risk within all of the council's business processes will contribute to achieving an 'Effective Organisation' and aid the successful delivery of each theme within the Corporate Strategy.

Implications

- (a) **Financial** - There are no implications
- (b) **Human Resources (HR)** - There are no implications
- (c) **Equalities** - There are no implications
- (d) **Legal** - There are no implications
- (e) **Crime and Disorder** - There are no implications
- (f) **Information Technology (IT)** - There are no implications
- (g) **Property** - There are no implications except as included in Exhibit 1 in terms of risks to the capital project.

Risk Management

7. In compliance with the council's Risk Management strategy, there are no risks directly associated with the recommendations of this report. The activity resulting from this report will contribute to improving the council's internal control environment.

Recommendations

8. Audit & Governance Committee are asked to consider, comment on the views of the university in relation to this project.

Reason

To provide assurance that risks to the council are continuously reviewed and managed.

Contact Details

Author:

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Chief Officer Responsible for the report:

Charlie Croft
Assistant Director of Lifelong learning &
Resource Management

Report Approved Date

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

Quarter 4 Risk Monitor 2009/10

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